

NLWJC - KAGAN

EMAILS RECEIVED

ARMS - BOX 085 - FOLDER -005

[12/07/1998 - 12/10/1998]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-DEC-1998 11:29:32.00

SUBJECT: Revised Event Proposal Memo for Noon Planning Meeting

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

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

TEXT:

I revised this according to staff recommendations. Laura can make any edits so that this can be submitted to scheduling sometime today. (I will be at the Medicare Event and will be late to the noon meeting.)

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D48]MAIL434805142.326 to ASCII,
The following is a HEX DUMP:

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3BF1E75C2A8EA913103D2238CEE0AC5A38C3509226C0EF4CC3B2EEC656B1C4B5BE0B44A2C2A107

December 7, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

CC: ANN LEWIS
STEPHANIE STREETT

FROM: BRUCE REED

SUBJECT: DPC ANNOUNCEMENTS

Following is a list of possible DPC announcements through the month of January.

- Ready **Drunk Driving Announcement**
The President could meet with leaders of the highway safety community (MADD, SADD, etc.) to announce the availability of Department of Justice grants of \$12 million to states to combat underage drinking, and release public service announcements warning against drunk driving during the holidays and reminding drivers of the importance of seat belts. **(Ready)**
- Ready **Fighting Homelessness**
A number of homeless organizations hold events throughout the country (including in D.C.) on December 20 to highlight the problem of homelessness. The President could announce \$700 million in HUD Homeless Assistance Grants that will be granted to 300 communities and states to help homeless individuals find jobs and achieve self-sufficiency. Individuals who have benefited from this initiative and graduated to self-sufficiency could participate in this event. **(December 20 or can be held. Possible for the President's shelter visit on December 22.)**
- Ready **Campaign Finance Reform Event**
The President could host a White House meeting of bipartisan sponsors of campaign finance reform legislation, which would include Senators McCain and Feingold and Representatives Shays and Meehan. The purpose of the event would be to underscore the President's commitment to enact bipartisan campaign finance reform by next year. The President could highlight examples of excessive campaign spending throughout the country in this past election. **(Depends on Members schedules.)**

- Early Jan. **Title IX Executive Order**
The President could sign an executive order as early as next week prohibiting discrimination on the basis of race, color, national origin, or sex in education programs conducted by the federal government. This includes schools operated by the Defense Department for military dependents, schools operated by the Department of the Interior for Native Americans, and numerous training and educational programs run by federal departments. This is a follow up to an Executive Memorandum the President issued last year asking the Department of Justice to lead an effort to identify all federally-conducted education programs and to recommend appropriate action to end discrimination. **(Ready)**
- Mid. Jan **Gun Show Recommendations**
The President can announce his support for Administrative actions and legislation to crack down on the sale of guns at gun shows. The Attorney General and Treasury Secretary will submit their report of recommendations for cracking down on gun shows to the President by January 7. The President could hold an event where he announces new Administrative actions that follow the recommendations in the report and his support for legislation to combat the sale of guns at gun shows. **(Ready Mid January, or could hold until early February and combine it with a Treasury report on gun tracing and a new announcement in support of increased gun prosecutions.)**
- Mid Jan. **"Zero Tolerance" for Drugs in Prisons**
The recently passed omnibus appropriations bill includes an important provision that would allow states to use up to 10 percent of their prison funds to test and, if necessary, treat prisoners and parolees for drug use. To highlight this accomplishment, the President could join the Attorney General, General McCaffrey, and a group of Governors in issuing new guidelines to ensure that states use their funds effectively to promote this new "zero tolerance" policy. **(Ready mid January.)**
- Mid Jan. **FDA Regulation on Over-the-Counter Drug Labeling**
The President could announce the release of a final regulation requiring all over-the-counter drugs to bear easily readable and comprehensible labels. We would have to push HHS and OMB hard to announce this regulation in December, but we might be able to get it done by the end of the month. Such an announcement would have the support of both the pharmaceutical community and consumer groups, which would portray it as an important accomplishment. (Ready Mid January.)
- Mid Jan. **Mentoring Event**
The First Lady is planning to do an event on mentoring that the President could join. The President would announce: (1) \$15 million in new Department of

Justice Grants to expand mentoring programs; (2) a new DOJ Report on Juvenile Mentoring Programs, which is a report to Congress on why mentoring works and how best to establish successful programs; and (3) a new PSA Campaign promoting mentoring and encouraging people to become mentors. The PSA campaign will run on most major networks. **(Ready by January 14.)**

Mid Jan.

Work Participation Rates and Welfare to Work Initiatives

The President could visit a welfare-to-work program or make an announcement from the White House on: (1) new state work participation rates, showing that almost all states are meeting the welfare law's single-parent requirements, although some are failing to meet the law's separate two-parent requirement (these rates, for July - September 1997, are the first available under the new welfare reform law) ; (2) new caseload data showing continuing declines; and (3) new data on the number of people who were on welfare in 1997 and working in March 1998. This event could also be used to: (4) preview Welfare-to-Work reauthorization, including Responsible Fatherhood Grants; (5) release first report to Congress on Welfare-to-Work (due in January); and (6) announce the availability of funds for the third round of WtW Competitive grants. **(Mid January.)**

Mid Jan.

Announce availability of funds for Welfare-to-Work Housing Vouchers and

IDAs: The Congress approved in the VA/HUD appropriations bill full funding for the President's request for 50,000 welfare-to-work housing vouchers. The President could hold an event announcing the opening of the first competition for these vouchers and unveiling his proposal to fund even more in his FY '00 budget (currently, budget has 25,000 more). These are the first housing vouchers ever to be linked to welfare reform; they will improve the way welfare, employment, and housing agencies work together. In addition, the Human Services Reauthorization bill signed by the President in late October included a five-year, \$125 million demonstration program to establish Individual Development Accounts to help low income families save for a first home, education and training, or to start a new business. HHS is required to announce the first grant competition by January 27th. The President could announce the availability of funds and appear with individuals who have used IDAs under the current authority in the welfare reform law or in demonstrations funded by the Ford Foundation. **(Mid-late January, no later than January 27.)**

Mid Jan.

Tobacco -- Cessation

The President could issue a directive to the Office of Personnel Management requiring enhanced coverage for federal employees of smoking cessation services, either by raising coverage limits (now only \$100 for most fee for service plans) or waiving deductible and copayments. At the same time, he could unveil his plans to provide improved smoking cessation services to

veterans and members of the armed forces. New cessation coverage will be part of a comprehensive anti-tobacco plan to increase military readiness. (Ready by Mid Jan. and could be held until later in the month.)

Late Jan. **Car Seat Announcement**

The President could announce the final Department of Transportation rule for universal child safety seats. Under the new rule, every seat would be required to fit in every car the same way -- eliminating the current confusion caused by the existence of 100 kinds of child seats and 300 kinds of passenger vehicles. The National Highway Transportation Safety Administration estimates that 80 percent of the children strapped into safety seats are at risk because seats are improperly connected. Approximately 600 children under 5 years old are killed and more than 70,000 are injured in vehicle crashes every year. The new rule would make it easier for parents to use child safety seats properly and encourage greater use of child safety seats. **(Probably ready by late January.)**

Late January **Family Report**

The President could announce the findings of a new report by the CEA detailing changes in the last thirty years in family life. The report will show the increased number of women in the workplace, and detail the diminished amount of time families have to spend with their children. **(Ready late January.)**

There are several relatively small budget initiatives that we may want to roll out prior to the State of the Union. These options include:

- **Superbug Initiative**
Resistance to antibiotics is becoming a public health crisis, causing prolonged illnesses and even death. A new initiative, costing about \$25 million each year, could address this problem through: (1) a major outreach and education campaign involving hospitals, health professionals, and managed care organizations; and (2) new research and surveillance efforts to understand where and why antibiotic resistance occurs and to develop effective responses. (Pending budget decision.)
- **Asthma Initiative**
The President could announce a concerted fight against asthma, which has become a national epidemic affecting the lives of 15 million Americans. The principal goal of this program would be to reduce by half the number of children who die or suffer activity limitations because of this disease. The new FY2000 budget proposal would expand existing pilot programs that have had demonstrated success in preventing, managing, and understanding asthma. The President could also release an interagency report on best practices and strategies to address asthma. *(Requires budget decision.)*

- Bioterrorism Initiative**
 The President could announce a new proposal to detect and manage bioterrorism. Bioterrorism is becoming an increasing threat that has the potential to injure or kill millions of Americans through deadly diseases, such as smallpox. The President's initiative would equip the nation's public health system to detect and respond to this potential problem. This initiative would: train epidemic intelligence officers who can coordinate with state health departments to identify and respond to attacks; develop a mass casualty emergency response system that includes primary care, emergency transportation, and decontamination abilities; create and maintain a stockpile of pharmaceuticals; and improve research to develop new vaccines and antibiotics to be used in the event of an attack. **(Pending budget decision.)**
- Nationwide Crackdown on Food Safety**
The President could announce a proposed budget initiative that would highlight safety standards and enforcement. Included in this initiative are (1) a repackaged and somewhat modified legislative proposal giving the FDA and USDA additional enforcment powers (e.g., mandatory recalls and civil penalties); (2) additional food-specific regulations and/or guidelines (e.g., for certain fruits and vegetables); and (3) more extensive adoption of our model codes for restaurants and food service workers. In addition, we will focus on improving coordination with state and local agencies that regulate food safety in order to develop a wholly integrated national inspection system. (Ready, depending on budget decisions.)
- Expansion of Values-Based Crime Prevention Initiative**
 Recognizing the important role that civic, community, and faith-based organizations can play in reducing crime, the President announced last July grants for community-based collaboratives, including religiously-affiliated organizations, to target youth violence, gangs, truancy, and other juvenile problems by promoting common-sense values and responsibility. To build on this effort, the President could commit to a series of new grants to support values-based crime prevention efforts, and urge Congress to endorse and increase federal funding for such programs. The President could also highlight the efforts of Rev. Eugene Rivers of Boston, who inspired the President to develop this initiative and has organized a National 10-Point Leadership Foundation to mobilize 1,000 black churches in 40 cities to help at-risk kids in the 50 worst neighborhoods. **(Pending budget decisions.)**

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 7-DEC-1998 10:45:38.00

SUBJECT: Budget Lists

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

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

TEXT:
welfare
tobacco

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D36]MAIL44823414W.326 to ASCII,
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C4D428525305EFB0A67B701EF0B4C024934544593396D7AC73EE0309B76793139A57659C960493

Tobacco Budget: Current Status

All figures are outlays

	FY '99	FY '00 HHS Request	Requested Increase	OMB Passback
FDA	\$964 million	\$1.3 billion	\$403 million	\$1 billion
CDC	\$73 million	\$243 million	\$170 million	\$73 million

Cessation New Initiatives

- **New Department of Defense anti-tobacco plan.** This comprehensive anti-tobacco plan to increase military readiness will likely include covering over-the-counter nicotine replacement therapies under military health care coverage as part of a comprehensive military-wide anti-tobacco plan. (Cost: \$300 million over 5 years)
- **Veterans.** We should re-propose the plan from the President's 1999 budget which created a new discretionary program open to all veterans who began using tobacco products while in the service, regardless of their eligibility for other VA health care services (currently less than 15 percent of veterans receive their health care through the VA system because of statutory limits --veterans must be low income or have a service-related injury.) Thirty-six percent of the 25 million veterans in this country smoke. (Cost: \$435 million over 5 years).

WELFARE REFORM BUDGET INITIATIVES

12/7/98

Initiative	Proposed	OMB Passback	Comment
<p>Welfare-to-Work Reauthorization, including Responsible Fathers Grants. - approx. 60% to formula grants - approx. 20% to competitive grants, w/ possible set asides for substance abuse, literacy/ESL, disabilities - approx. 15% to fathers grants</p>	<p>\$1.5 B annually over 5 yrs</p>	<p>N.A.</p>	<p>DOL request did not include separate Fathers grants, but they are generally supportive of the concept.</p> <p>Status: meeting w/ DOL on overall reauthorization issues 12/7; meeting w/ DOL & HHS on Fathers 12/9.</p>
<p>Welfare-to-Work Housing Vouchers</p>	<p>\$289 M (BA) 50,000 vouchers, on top of 50,000 funded in FY 99</p>	<p>\$144 M (BA) 25,000 vouchers, on top of 50,000 funded in FY 99</p>	<p>In passback, OMB also proposed that HUD could fund up to 36,000 more vouchers beginning in 2001 (for WtW or other purposes) through enhanced rent collection or other program savings.</p> <p>Passback level seems reasonable given budget constraints.</p>
<p>Access to Jobs Transportation</p>	<p>\$150 M</p>	<p>\$75 M</p>	<p>TEA-21 authorized \$150 M, guaranteed \$75M for FY 2000. <u>Preliminary</u> discussion of targeting additional \$75 M to jobs gap proposal under race initiative.</p>
<p>Adult Literacy/ESL</p>	<p>N.A.</p>	<p>N.A.</p>	<p>Working w/ NEC to refine proposal on addressing skills gap through expanding adult ed/ESL, workplace literacy, and combined ESL/acculturation services</p>
<p>Expand targeted Substance Abuse Treatment grants</p>	<p>\$100 M</p>	<p>\$26 M</p>	<p>These 'targeted capacity expansion grants' address emerging needs in local communities. In FY 98, SAMHSA awarded 44 grants totaling \$24 M, w/ about one-third to women with children and/or women on TANF. Unlike the substance abuse block grant, we can target these to specific issues and they can go directly to locals. (See background information</p>

Initiative	Proposed	OMB Passback	Comment
			<p>below)</p> <p>Depending on available funding, some increase in these grants would help address the specific substance abuse needs of women moving from welfare to work. We continue to work with Crime and Health teams to determine suggested funding level and strategy.</p>
<p>Child Support Law Enforcement Initiative</p>	<p>\$35 mi DOJ \$5 mi HHS</p>		<p>This initiative will increase the prosecution of egregious child support violators by establishing multi-agency investigative teams to identify, analyze, and investigate cases for prosecution. This investigative effort will result in more cases being referred to the U.S. Attorney offices ready to prosecute. HHS's Office of Child Support Enforcement, Office of the Inspector General, and Office of Investigations, working with state and local law enforcement and child support agencies, have already launched a pilot project in Columbus Ohio, which will cover 5 states (Illinois, Indiana, Michigan, Minnesota, and Ohio). This proposal would put these units in place all across the nation within the next several years. Additionally, it would provide paralegals dedicated to child support cases to the 83 U.S. Attorneys offices that do not now have them. In July, the President signed into law the Deadbeat Parents Punishment Act, creating two new categories of felonies for the most egregious child support evaders.</p>

Background

There are two ways to increase substance abuse treatment:

1) Substance Abuse Block Grant

These funds are allocated to states on a formula basis with states deciding how to target the funds. SAMHSA requested an increase of \$270 million for FY 2000. OMB passback holds them to FY 99 level of \$1.585 billion (plus an additional \$100 million in advance funding).

2) Targeted Capacity Expansion Grants

These funds are designed to address treatment needs for emerging substance abuse problems specific to a city, county, state or region, with a particular focus on meeting local needs since the block grant goes to states. For FY 1988, SAMHSA identified several target groups including: substance abusing women and their children, clients participating in welfare reform programs, juvenile and adult criminal justice-referred offenders, dually diagnose youth offenders, substance abusing physically and cognitively challenged individuals, and hard-to-reach IV drug users. FY 98 funds supported 41 grants totaling \$24 million to a combination of state, local, and tribal agencies and community-based organizations. This funding will serve an additional __ people on an annual basis. Grants are available for three years, with first year funding generally between \$500,000 and \$700,000. Approximately one-third of the FY 1998 grants are targeted to TANF or substance abusing women with children. For example, Women in Need in Brooklyn received \$250,000 to expand capacity to serve an additional 85 homeless women and women with children receiving TANF. The Wisconsin Department of Health and Family services received \$750,000 to provide intensive family treatment to 121 women with children and TANF recipients.

US Conference of Mayors has indicated strong support for these grants -- in fact, they would like to see an increase of around \$250 million. Based on conversations with ONDPC staff, they generally support SAMHSA's request both for the block grant and targeted capacity grants, but they particularly like the targeted capacity grants since we have more ability to target and track how these get spent.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-DEC-1998 11:38:31.00

SUBJECT: Food Safety Council

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

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

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

This is the draft agenda for the meeting of the food safety council on 12/16. The main issue will be the budget discussion, hence the meeting is planned to be closed. We have held a relatively small MOU that FSIS and FDA can agree to which we can tell interested press later was one of the tangible work-products of the meeting. The MOU allows better sharing of inspection personnel between the two agencies -- but we need much more. Bruce, has been given 5 minutes to talk, I thought you might want to affirm the importance of the council, use the MOU as an example of the direction you hope we move in, and talk about how the different agencies share common goals. Do you want to speak? I've previously sent you the draft documents under discussion but will send again if you wish.

AGENDA

President's Council on Food Safety
USDA Whitten Building, Rm ?
December 16, 1998
10:00 am - 11:00 am

Introductions and Opening Remarks -- Glickman, Shalala, Lane (5 min)

Elements of the Executive Order -- Reed (5 min)

Discussion and Approval of Charter -- Woteki (5 min)

Discussion and Approval of Council's scope -- Goldman (15 min)

FY2000 Budget and future crosscut -- Lew/Gotbaum (10 min)

Comprehensive Plan -- O'Hara (5 min)

NAS Report Assessment -- Gabriel (5 min)

Joint Institute for Food Safety Research -- Kennedy and Raub (5 min)

Closing -- Glickman, Shalala, Lane (5 min)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 12:34:26.00

SUBJECT: Equal Pay one pager

TO: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./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

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

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

TEXT:

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EQUAL PAY

Policy Rational and Cost: Currently, American women earn about 75 cents for every dollar men earn. In the past, the Administration has announced a package of initiatives on equal pay, including endorsing legislation to strengthen enforcement of wage discrimination. This proposal suggests further steps the Administration can take (without legislation) in the EEOC and Department of Labor on this important issue. The measure includes: an education program for employees; new outreach to businesses to provide information on current law and offer technical assistance; and upgrading training for EEOC employees and resources for increases in enforcement capabilities. As a result of the initiative, EEOC states it will reach over 10 million workers through public service announcements and reach over 3000 small, medium, and large employers by providing technical assistance. The Department of Labor (Office of Federal Contract Compliance Programs) also seeks funding for a related Women in Non-Traditional Occupations Initiative, which will identify best practices, emphasize anti-discrimination and anti-harassment activities, and explore incentives to improve access for women into glass ceiling and nontraditional opportunities such as construction, technology, and manufacturing. (*Cost:* \$17.3 million for EEOC and \$10.4 million for DOL -- \$6.8 million for DOL's non-traditional occupations and \$3.8 million for DOL equal pay outreach and compliance reviews).

Uncertainty: EEOC did not receive any of the \$17.3 million in their passback for this initiative, but they are appealing the entire amount. OMB did not fund this because they stated they prefer that EEOC continue to work on reducing its backlog, but OMB staff seems open to some funding for this initiative. DOL received only \$383,000 out of the \$6.8 million requested in a Women in Non-Traditional Occupations Initiative. OFCCP also requested \$3.81 million in their base for the equal pay compliance reviews and outreach, but did not receive any of this request. DOL is currently not appealing any of the \$10.4 million.

Vetting: The agencies produced the equal pay proposal at our request. The issue is one of the most important to Americans, and the proposal (while small) would certainly be greeted positively by groups active in the area. OMB implied to EEOC that they had to make a choice between reducing the backlog and undertaking this effort. We think both the equal pay measure and reducing the backlog are worthy of support.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 12:05:57.00

SUBJECT: Food one pager

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

READ:UNKNOWN

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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Food Safety Initiative

Policy Rationale and Cost: Advancing food safety is one of the Administration's signature issues and this year's initiative would maintain our leadership in the area by working to establish a nationally integrated food safety system with Federal, state, and local authorities. The initiative includes measures by FDA, USDA and CDC.

FDA: The majority of FDA's request (\$25.6 million) would go toward expansion of their inspection and compliance capability. As part of its efforts to integrate efforts with non-federal agencies, FDA will enter into contracts and partnerships so that states will follow FDA guidelines and procedures. Among the tangible goals FDA states they could accomplish if the initiative were funded: for the first time in decades, FDA will ensure that every high risk food manufacturer in the United States is inspected at least once a year; for other food firms, inspections will be twice as often as today (from once every 8 years to once every 4 years) and for the first time ever, state and Federal inspection results will be shared, via an electronic connection, that will reduce overlapping efforts and greatly enhance the ability of those authorities to improve public health. The measure also boosts our international capability so that FDA will increase the number of international inspections from 100 to 250 and will conduct evaluations of foreign food production systems. In addition, FDA seeks \$9.0 million improving its traceback capabilities; \$6.9 million for new research programs and \$2.7 for risk assessment; and \$4.7 million in new education funding. (Cost: \$48.9 million over the FY99 request.)

CDC: The goal is to create a national system that provides comprehensive data on the occurrence of food-borne illness that can be used by agencies at every level to combat food-borne illness. The majority of the investment is targeted toward surveillance activities, specifically expanding the scope of FoodNet and the capacity of PulseNet to better capture pathogen DNA fingerprints of both *E. coli* O157:H7 and *Salmonella enteritidis* and include more state health departments in the network. This expanded surveillance network is the heart of our nation's food-borne disease early warning system. The current surveillance system does not provide adequate coverage of the US population. (Cost: \$18 million over the FY99 request.)

USDA: USDA complains that while OMB more than fully funded their initiative, they imposed \$473 million in user fees on FSIS and failed to provide a needed \$30.6 million for obligated salary increases and redeployment of inspectors. This is on top of a flat budget when the agency is trying to implement extensive new HACCP reforms. FSIS has very little discretionary money, since most is tied up in inspector salaries and other fixed costs. USDA has stated that OMB's failure to include the \$30.6 million will force them to shut down the inspection program during the last 9 days of the year or furlough over 300 employees. The Secretary has sent a letter complaining that the lack of salary funds effectively downsizes his inspection force and undercuts the commitment the President made to improve food safety and effectively regulate meat and poultry. (Cost: The salary increases and inspector redeployment cost \$30.6 million).

Uncertainties:

USDA. The USDA/OMB dispute on user fees is an old one, and USDA acknowledges they will probably lose again. USDA may suggest a compromise they think OMB might agree to: include the full funding request for FSIS in the budget (\$652 million) but elsewhere in the budget acknowledge that the Administration expects user fees to cover \$473 million of the cost. The argument being that currently Congress is not technically being requested to provide the actual amount the Administration and most observers think it really needs.

Vetting.

These proposals have been developed by the USDA, FDA, and CDC and explained to OMB. OSTP has also been involved in their development.

We have not consulted with consumer groups, but it seems likely they would strongly support the initiative. The groups have called us to support the idea that there be some new initiative, and to complain in general about user fees. It seems likely we will get significant flack for the user fees from Congress and consumer groups, especially if we have no new initiative.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 8-DEC-1998 10:58:23.00

SUBJECT: TANF Participation Rates

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

CC: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

We'll get you a more complete right up soon, but to answer your question from yesterday --

The five states that failed the two parent work participation rate and did not meet the 80 percent maintenance of effort requirement are Arizona, Nebraska, New Jersey, Oklahoma, and Virginia. To avoid the larger MOE penalty, these states will be given the opportunity to report additional MOE expenditures they may have made during the reporting period. (They may very well have additional state spending for the time period that will count as MOE. Since four of the five states reported MOE of exactly 75 percent, they may have reported only as much MOE as they thought they needed to meet the requirement).

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Devorah R. Adler (CN=Devorah R. Adler/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 23:51:50.00

SUBJECT: final document

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

READ:UNKNOWN

CC: Sarah A. Bianchi (CN=Sarah A. Bianchi/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Hello --

Here is our final discretionary budget document. It would be great if we could get a final copy when you get a chance.

Thanks -- please call with questions.

Devorah

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D50]MAIL477000440.326 to ASCII,

The following is a HEX DUMP:

FF57504386060000010A02010000000205000000F8980000000200001CAC1A1EE00C6F25DAC1FD
B596B48B72C8D2B9B2271C06212C475FB373E628ED92C3A73792937F8AB5B230DFF7CC379BC63E

USE OF DISCRETIONARY FUNDS FOR THE FY 2000 BUDGET

Detecting and managing bioterrorism. (new initiative) The threat of a bioterrorist attack that has the potential to injure or kill millions of Americans through the dissemination of infectious diseases is increasing. This proposal funds NIH, CDC, FDA, and SAMHSA to train epidemic intelligence officers who identify and respond to attacks, develop a mass casualty emergency response system, maintain a stockpile of pharmaceuticals, and develop new vaccines and antibiotics that could be used in the event of an attack. It is strongly supported by HHS, OMB, and DPC.

Cost. Original HHS cost estimate: \$370 million

Issues. OMB believes that research and product regulation are primarily Federal responsibilities, while public health surveillance, laboratory and epidemiological capabilities, and medical response systems are areas that are primarily State responsibilities. Therefore, NIH, CDC, FDA, and SAMHSA did not receive the full funding amount requested. Having said this, OMB has unofficially indicated that they would not oppose additional funding being dedicated for this initiative if it can be found without undermining other currently funded priorities.

Response. Although States play an important role in public health surveillance and emergency medical response activities, it is clear that the current local public health infrastructure is unable to support these essential surveillance and response activities. For instance, the Federal-State communications network is so inadequate that a recent test demonstrated that CDC was unable to contact nearly half of local health departments within a day's time. Depending on local public health entities to independently meet the challenges of detecting and managing the repercussions of a bioterrorist attack will place the country at risk. The OMB passback level prevents HHS from developing improved surveillance and overall emergency preparedness plans, delays the development of new vaccines for anthrax and botulism, and eliminates their ability to assess the mass behavioral, psychological, and socioeconomic responses to a bioterrorist event.

Status. OMB passback: +\$152 million; WH Need: additional +\$90 million; HHS appeal additional +\$218 million.

Combating resistance to antibiotics (superbug). (new DPC proposal.) Recent reports have indicated that resistance to antibiotics is increasingly becoming a public health crisis, causing prolonged illnesses and even death. Currently, hospitals spend over \$600 million each year treating infections caused by bacterial strains that are resistant to antibiotic therapy. This proposal funds CDC to develop and implement public health strategies, such as educating consumers and health providers to help assure appropriate use of antibiotics, raising awareness about appropriate guidelines, and improving surveillance and research efforts.

Cost. Original DPC cost estimate: \$20 million

Issues of Concern. OMB would prefer to subsume this proposal in a new public health surveillance initiative, essentially eliminating the practical public health component of this proposal. In addition, they believe that some of the infrastructure investments that are necessary improve our ability to respond to antibiotic resistance are similar to the steps we are proposing to respond to bioterrorist attacks.

Response. Although the surveillance efforts associated with this initiative can be subsumed under this new public health surveillance initiative, we believe that to develop a credible initiative in this area will require the investment of new funds in the implementation of public health strategies. (OMB has unofficially concurred with this reasoning as long as the investment stays at or below \$10 million.)

Status. OMB passback: +0 (subsumed in surveillance initiative); WH Need +\$10 million

Family Caregiver Support Program. (new initiative) Approximately 22.4 million U.S households provide caregiving services that currently enable their elderly relatives to remain in the community, providing services that would cost over \$100 billion annually if provided by home health care aides. This proposal creates a new national program through the Administration on Aging to support Americans who care for chronically ill or disabled family member or friends. It provides State grants for “one-stop-shop” access point to provide services, such as information and counseling as well as respite services and adult day care. **This proposal is a priority for the Vice President, DPC, and NEC, and viewed by OMB as a solid initiative.**

Cost. Original HHS cost estimate: \$150 million

Issues. OMB only provided \$10 million for this initiative, far less than what is necessary for it to be creditable. Barbara Chow has indicated, however, that this would be her first funding priority if she could get additional resources.

Response. The OMB passback level prevents the establishment of a national program, providing only enough funds to establish systems in a limited number of States. This policy is a critically important component of the long term care initiative, as it complements the long term care tax credit. Funding of this proposal is necessary to obtain broad based validation from the advocacy community for our entire long term care package.

Status. OMB passback: +\$10 million; WH need: additional +\$140 million; HHS appeal: additional +\$140 million

Nursing home quality initiative. (WH / HHS proposal) Last summer, the President announced his commitment to improve the quality of nursing home care. This initiative provides mandatory and discretionary funds to HCFA to help States strengthen nursing home enforcement

tools and increase Federal oversight of nursing home quality and safety standards. Funding will be provided for **new enforcement provisions and increased surveys of repeat offenders and improve surveyor training. This proposal is strongly supported by DPC and the Vice President's office.**

Cost. **Original HHS cost estimate: \$153 million**

Issues. OMB funds \$50 million of this initiative through user fees. The passback also assumes that HCF will assume the survey and certification costs (\$12.5 million) associated with the initiative within its current funding levels.

Response. The user fees used to fund a large part of this initiative will not be viewed as creditable by the advocates, the nursing home industry, or the Hill. In addition, there is currently another GAO investigation on nursing home quality underway, which will no doubt underscore the need for a significant investment in this area.

Status. OMB passback: +\$107 million; WH Need: additional +\$50 million (this would eliminate the need for user fees); HHS appeal: additional +\$12.5 million

Educating Medicare beneficiaries about long term care options. (new WH initiative) Medicare beneficiaries are often unaware that Medicare does not provide long term care services. This proposal provides funds to HCFA to use the Medicare +Choice marketing materials to educate beneficiaries about the limitations of Medicare coverage of long term care and to inform them about private sector insurance options. This proposal is strongly supported by DPC.

Cost: DPC cost estimate: \$25 million.

Issues. OMB believes this is a solid policy worth funding, particularly if it is used to promote high quality long term care products. However, this option did not get added until later in the budget process and is currently not being carried by OMB. In addition, HHS has concerns with this proposal because it fears that it will be perceived as an endorsement of private long term care insurance.

Response. **We believe we need this initiative to convince the private sector that we believe it has an important role to play in this area and to also indirectly affirm that the Federal government cannot and should not be relied on by the public to meet the overwhelming long term care needs facing the nation.**

Status. OMB passback: +(0); WH Need: additional +25 million

Improving access to Ryan White programs. (existing program) Low income individuals living with HIV often have to wait up to a year in order to access the comprehensive range of drugs needed to effectively treat HIV. This proposal will increase our current proposed investment in the Ryan White program and the AIDS Drug Assistance Program, which

provide a range of critical services for people with HIV/AIDS. OMB and HHS are not advocating for an increase but do not oppose one. (HHS never spends its capital advocating for an increase in the Ryan White program because they assume that the White House will always take care of it.) Increasing this investment is a top priority for the AIDS office and the Vice President's office.

Cost. Original AIDS office Ryan White request: \$165 million

Issues. OMB has concluded that it does not have the resources necessary to meet the AIDS Office recommendation of an additional \$165 million for the Ryan White program.

Status. Ryan White OMB passback: +\$72.2 million; WH Need: additional +\$50 million; no HHS appeal

Addressing HIV/AIDS in minority communities. (existing WH initiative) This past October, in response to the Congressional Black Caucus, the President declared HIV/AIDS in minority communities to be a "severe and ongoing health crisis." This proposal seeks emergency funding to strengthen and build on this initiative through a range of prevention and treatment programs, such as a national "get tested" campaign, substance abuse treatment and prevention programs that include an HIV component, and enhanced funding for 60 Ryan White planning grants. It is strongly supported by DPC, HHS and the Vice President's office.

Cost. Original AIDS office cost estimate: \$50 million

Issues. OMB's official position is that this initiative was limited to a one time investment and that there was no commitment to future funding. However, they unofficially have acknowledged that it will be difficult to discontinue this funding priority in the face of extreme pressure by the Congressional Black Caucus. As such, they would not oppose additional funding if dollars could be made available.

Response. The OMB passback completely eliminates funding for this initiative and prevents us from sustaining our commitment to the Congressional Black Caucus.

Status. OMB passback: +(0); WH Need:+\$50 million; HHS appeal: +\$50 million

Building on the President's Race and Health Initiative. (existing WH initiative) Minorities suffer as much as five times the rate for certain diseases and mortality rates, such as cancer, diabetes, heart disease, immunizations, HIV/AIDS, and infant mortality. Last year, the President announced a \$400 million commitment over 5 years to eliminate racial health disparities in six critical areas by 2010. This proposal funds public health programs that have proven effective in targeting diseases experienced disproportionately by minorities and a grant program to test and replicate innovative approaches that address these disparities. It is strongly supported by DPC and HHS.

Cost. Original HHS cost estimate: \$50 million

Issues. The OMB passback suggests that HHS earmark \$50 million of community health center funding for this initiative, rather than providing new funds.

Response. It is extremely important to continue to make significant investments in this initiative in order to deliver on the President's commitment. Dedicating dollars already earmarked for CHCs will be viewed as ineffective and unresponsive by the minority community. In addition, since they only provide direct services, CHCs are unable to adequately address the significant public health infrastructure issues that currently prevent minorities from accessing effective health care services that could arrest disproportionate rates of infection and disease.

Status. OMB passback: +(0); WH Need: +\$80 million; HHS appeal + \$50 million

Enhancing mental health services. (existing program) Approximately 44 million adults and 14 million children suffer from a mental disorder annually. This proposal increases funding to SAMHSA to enable states to provide critical mental health services, including access to prevention and treatment services and providing new incentives to communities who have implemented effective mental health programs. This proposal increases funding to SAMHSA as well as raising awareness about mental health through enhancing the current level of funding provided to States through the mental health block grants. This proposal is strongly supported by the Vice President's office and Tipper Gore's office.

Cost. Original HHS cost estimate: \$146 million

Issues. The OMB passback includes a net cut in funding for mental health services. OMB has stated that the reduction in mental health grant and services support is justified in the context of large increases for mental health research at NIMH.

Response. The mental health community would strongly reject OMB's contention that research grants in any way substitute for support for direct services. Moreover, it would be extremely embarrassing for Mrs. Gore and the White House in general to defend such a poor funding stream for mental health at a time when we plan on hosting a White House Conference on Mental Health for this spring to raise awareness about mental illness. In addition, next year, HHS will release a Surgeon General's report documenting the widespread incidence and impact of mental illness. Therefore, we believe it is critical to make a new investment in mental health services.

Status. OMB passback: +(0); WH Need: +\$100 million; HHS appeal +\$116 million

Preventing and treating asthma. (new initiative) Over the past 15 years, the number of children afflicted with asthma has doubled to total about 6 million. The steep climb in rates of morbidity and mortality classify asthma as an illness with significant public health implications. This

proposal funds HHS and EPA to educate patients and providers about new treatment guidelines for asthma, conduct a national asthma awareness campaign, reduce asthma triggers in homes, and establish school based asthma programs in every community. This proposal is strongly supported by both the First Lady's office, DPC, and the Vice President's office.

Cost. Original estimates: \$50 million for HHS and \$25 million for EPA

Issues. OMB has developed a counter-proposal that invests \$25 million in EPA and uses the Medicaid program to disseminate new treatment guidelines for asthma, but eliminates the research and public health strategies that are integral to the HHS proposal. They believe that those components of the proposal could be supported through existing sources of funding.

Response. Although OMB's disease management strategies can and should be incorporated into the HHS proposal, we need a counter argument to OMB's position that will be supplied by the First Lady's Office (Jen Klein).

Status. OMB passback: +(0); WH Need: +\$25 million for HHS; HHS appeal: +\$50 million

Improving Emergency Medical Services in Rural Areas. (new initiative) The presence of viable EMS systems is critical for residents in rural and frontier areas. Because of the high rates of occupational injury associated with employment unique to rural areas, such as farming, mining, and fishing, rural residents experience disproportionate rates of trauma and medical emergencies. Many rural and frontier communities face challenges in obtaining ambulance equipment and communication systems and recruiting, training, and retaining EMS personnel. This proposal provides grant funds to States and local communities through HRSA to promote EMS systems development, integrate EMS systems into local primary care services, and enhance provider recruitment, retention and education efforts. It is supported by HHS and DPC, and has been endorsed by the National Rural Health Association.

Cost. Original HHS estimate: \$50 million

Issues. OMB would prefer to fund this program through the Medicare program rather than through a discretionary grant **program.** They believe that this initiative would substitute Federal dollars for funding that has traditionally been provided by municipalities.

Response. Most rural communities have little or no resources to fund these initiatives. The mere fact that some do should not eliminate any possibility of Federal support for these important activities. The grant program structure takes into account the unique nature of small rural communities and allows States to design systems that work for their individual constituencies. In addition, the proposal is a way to relieve some financially burdened rural hospitals of the extraordinarily expensive burden of 24-hour a day ER coverage.

Status. OMB passback: +(0); WH Need: +\$25 million; HHS has not appealed

Providing needed education funds to children's hospitals. (new WH initiative) Medicare has invested billions of dollars in graduate medical education to hospitals since 1966. However, because of its current distribution formula, free-standing children's hospitals are forced to shoulder the majority of the cost of training pediatricians, placing them at a severe financial disadvantage. This proposal creates a new discretionary grant program to provide GME funds through the PHS in order to provide freestanding children's hospitals with Federal financing for the cost of providing graduate medical education. This proposal is strongly supported by the First Lady's office, DPC, and the National Association of Children's Hospitals. HHS does not oppose this proposal, as long as it is not funded through the Medicare trust fund.

Cost. Original DPC cost estimate: \$285 million

Issues. OMB is strongly opposed to this proposal because they believe that the children's hospitals are financially stable and do not need additional federal assistance.

Response. We believe that there is a legitimate equity argument here, as these hospitals shoulder much of the responsibility for training the nations' pediatricians and pediatric subspecialists. The current proposal is one seventh of the amount proposed by the children's hospitals, but would still be supported primarily because it would address the inequities faced by facilities training pediatricians and other pediatric subspecialists.

Status. OMB: +(0); WH Need: +\$40 million

Investing in Promising Biomedical Research.

Cost. HHS request: \$1.5 billion

Issues: While HHS and the Vice President's office support more generous increases, OMB has suggested that NIH reduce the amount of research started in FY 1999 in order to adjust to this new funding level. Many argue that this is not the best use of resources in a tight budget given the already generous funding at NIH.

Response. Funding NIH at the OMB passback level would result in a 28% decrease from the number of projects funded in 1999 and the lowest level of new research since 1994. While most advisors within the White House and OMB do not believe that it is necessarily warranted or prudent to dedicate additional large resources to NIH, we also well recognize that it will be important for the Vice President to deliver on a reasonably generous NIH increase. Moreover, it is politically untenable for us not to have a substantial increase incorporated in the budget prior to submission. With this in mind, we believe will probably be necessary to increase the NIH budget and if current trends hold, we are looking at least a \$500 million increase for the FY 2000 budget.

Status. OMB: +\$49 million; WH Need: additional +\$750 million; HHS appeal \$1.5 billion.

Investing in DoD cancer research programs. (new DPC proposal) Every year the Congress funds programs at DoD for prostate and breast cancer research. While every White House principal has highlighted these innovative, widely acclaimed research programs, we have never proposed a single dollar for them in our budgets. We are also proposing an investment in osteoporosis research at the DoD. This is a priority for the Vice President.

Cost. **Original DPC estimate: \$250 million**

Issues: DoD is likely to be resistant to this concept as they believe that although they have developed a model program in response to a Congressional mandate, cancer research is not within their military mission. They are more open to the concept of osteoporosis research because there are many military stress fractures. However, we think it could be highly problematic if the first time we ever invested in these programs we ignored the prostate and breast cancer programs and only funded osteoporosis.

Response: Given the high level of commitment to cancer research and the fact that these programs are already up and running, it is important that we underscore our support for them. Also, DoD is likely to receive generous increases in the budget and this is a good way to invest in cancer priorities in a tight budget.

Status. **OMB: +(0); WH Need: earmark \$200 million of DoD increase**

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 8-DEC-1998 16:21:26.00

SUBJECT: TANF State Information--pls check this state list

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

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

TEXT:

This is HHS's list of 'weak on work' states for which they are gathering the info you asked for.

Does this seem like a good list?

Illinois, New York, California, Ohio, Florida, Pennsylvania, Texas, Hawaii, DC, Washington, West Virginia, Rhode Island, New Mexico, and Minnesota.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Edward W. Correia (CN=Edward W. Correia/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-DEC-1998 13:53:02.00

SUBJECT: Affirmative Action Cases

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TO: Charles F. Ruff (CN=Charles F. Ruff/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: edley (edley @ law.harvard.edue @ inet [UNKNOWN])

READ:UNKNOWN

CC: Scott R. Palmer (CN=Scott R. Palmer/OU=PIR/O=EOP @ EOP [PIR])

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

This is an update on two important affirmative action cases. In *Lutheran Church v. FCC*, the D.C. Circuit struck down the FCC's EEO standards for broadcast licensees. There has been little interest in seeking cert. at DOJ or at the FCC, and the time for doing so has almost run. I agree that this is not a good cert case. In addition, the FCC has published a proposed rule to reinstitute the rules without numerical guidelines, which the court felt was the key problem. This is only a modestly good solution. There are thousands of licensees. Without knowing whether a station has met or exceeded a particular hiring goal, the FCC has a hard time deciding when to review a licensee's recruitment practices. Nevertheless, there was general agreement at DOJ and the FCC that this was the best we could do. There is a good possibility that the question of when recruitment and outreach trigger strict scrutiny will arise again.

In *Wessman v. Boston School Committee* (the Boston Latin case), the plaintiff challenged the refusal of Boston Latin, a highly competitive public high school, to admit her. The school admitted 50% of their class based strictly on their rank on a composite index that included a standardized test score and grades. The remaining 50% were filled by allocating a portion of the remaining groups to five different racial groups, based on the share each one made up of the qualified applicant pool. Then students were admitted within each group based on their rank on the composite index. The First Circuit did not reach the question of whether diversity can be a compelling interest. However, in a 2-1 vote, the court found that the admissions policies were not narrowly tailored. It said the admissions guidelines were "less a means of attaining diversity in any constitutionally relevant sense and more a means for racial balancing."

The School Committee has decided to seek cert. While there is time for reflection, the initial reaction at DOJ has been that this is not a basis for Supreme Court review of these issues, and, therefore, is not inclined to urge the Court to grant cert. On the other hand, if the Court does take the case, we will very likely want to file a brief defending diversity, though not the particular scheme that was used. I also think this the right approach. If anyone would like to have more information on these cases, please let me know.

D.C. cui As you may know, the First Circuit recently held that the admissions program of a highly competitive public high school. Thanks for your note on the Boston Latin case. As we have discussed, there are some difficulties in relying on this case to argue for the constitutionality of diversity in admissions. The SG's inclination, with which I agree, is not to file an amicus advocating that the Court grant cert. However, if the Court does decide to take up the case, the strong likelihood is that we would get involved. No decision has to be made for a while, so there is time for discussion.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 19:22:55.00

SUBJECT: Looming Tobacco Issue

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

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

READ:UNKNOWN

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

USDA and Secretary Glickman are wrestling with a difficult question they will have to answer early next week and are interested in getting our advice. The amount of quota (the amount farmers can grow) for next year is to be announced December 15 by USDA, and at present the results will be quite dramatic: about a 33% decline in quota. Anywhere near that figure is likely to be viewed as a catastrophe by farmers, who will also view the Administration as having let them down. In addition, Dallas Smith predicts such a quota cut may well lead farmers to vote to end the program.

The quota figure is set by three variables -- two of which the government has no control over, official company purchase intentions and an average of exports over the last three years. The third variable is what is in the government reserve stocks. At present, the stocks hold 265 million pounds of flue cured tobacco, far above the 121 million pounds the quota formula calls for.

The sales of these stocks would have to be made by December 15 to change the quota level for next year. Glickman has the right to discount the sale of the stocks. The Flue-Cured Stabilization Board has proposed an 18 percent reduction in current list prices without any positive response from industry. In turn, the industry has requested a 25 percent discount from current list prices.

If Glickman does approve a discount he is likely to be accused of selling cheap tobacco to industry, saving them something on the order of \$110 million. If he does not approve the discount, farmers will complain that the government has abandoned them, causing hardship despite the opportunity to help via a program farmers are financially responsible for.

USDA staff argues discounting probably makes the best of a bad situation. If that is the decision, it could be justified on the following grounds: 1. the companies are squeezing the farmers, driving prices ever lower and hoping to cause an end of the program; 2. If the companies are successful and end the program, tobacco prices will plummet even further and there will be no limits on the amount of tobacco grown; 3. Monies to be used for the discount were paid by farmers through the no net cost account. Alternatively, if the program ends, it is likely the taxpayers who will be forced to cover the cost of selling the tobacco at a future deeper discount.

OMB has also called me about this issue today. I'll be getting some more information over the next few days.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 13:14:01.00

SUBJECT: Native American initiatives

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

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

CC: Julie A. Fernandes (CN=Julie A. Fernandes/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

TEXT:

From Tom, Julie, and I===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D73]MAIL44507234L.326 to ASCII,
The following is a HEX DUMP:

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FE9BD1C3AD806C9C44800D7527BE86D4CC5B3EEC2E39C8BF3C886533A404B8AC2A52DB8BED1AF0

NATIVE AMERICAN INITIATIVE

Policy Rational and Cost: The initiative has four parts, taking steps in each of the areas the President identified at the Native American Economic Development Conference.

- 1. 1000 New Teachers for Native American Students.** American Indian children have the highest drop-out rate and the lowest high school completion rate of any racial or ethnic group in the country. Despite this tremendous need, American Indian school children have few role models to guide them. **Of the Nation's more than 2 million elementary and secondary teachers, less than 1 percent -- only 18,000 teachers, are American Indian/Alaska Native.** Recognizing these needs and challenges, the plan seeks to train 1000 new Native American teachers. **At the Native American Economic Development Conference, the President signed an executive order that called for an interagency plan to be developed with recommendations identifying initiatives, strategies, and ideas for future action to support the goal of improved education.** Our plan seeks to increase the number of American Indians entering the teaching field and to enhance the skills of those already in the pipeline. The Department of Education proposal has three parts: (1) a fellowship program that will support the training of 1000 new American Indian and Alaska Native teachers over 5 years by providing for their expenses while attending school, including child care; (2) funding for 25 grants to educational institutions, with priorities for partnerships with tribal colleges, to create teacher training programs in Native American communities; and (3) providing continuing education for in-service teachers to improve the quality of teaching in Native American communities. (Cost: \$10 million.)

Uncertainties and vetting: This initiative was not included in the Department of Education's initial budget request, but had requested \$3 million for a related effort on professional development. In its appeals, the Department has included a request for our \$10 million initiative. (The Department would require approximately \$7 million in additional money above their initial request initiative coupled with another \$3 million from their initial budget request that they have reallocated to this initiative.) Education and DPC have been working with OMB very closely and OMB has become more supportive of the idea. Both Interior and Education are very much in favor of this idea.

- 2. Technical Assistance for Economic Development.** At the Native American Economic Development Conference, the President directed the Department of the Interior, the Department of Commerce, and the Small Business Administration to develop, within 90 days, a strategic plan for coordinating economic development initiatives for Native American and Alaska Native communities. The centerpiece of the strategic plan would provide a toll-free number, located at the Bureau of Indian Affairs, in which tribes could access information about how the federal government can assist them in economic development efforts. This number would provide one point-of-contact for tribes across

all government agencies and would eliminate the need for tribes to be familiar with the intricacies of specific government programs. In addition, the BIA will organize business seminars throughout Indian country (staffed by various agency representatives) which will consist of both general sessions and individualized technical assistance. (Cost: \$1,043,640).

Uncertainties and vetting: Interior did not include this in their initial budget request or their appeal stating that they had to make hard choices and that they hoped the WH would push the plan. OMB is generally supportive of this request, but doesn't know where additional money would come from. Interior, the groups (National Congress of American Indians), and the tribes are very enthusiastic about this initiative.

3. **BIA School Construction and Repair.** Compared to other schools, Bureau of Indian Affairs schools are generally in worse condition. Two-thirds of the educational facilities are over 30 years old and more than one-quarter over 50 years old. The backlog to correct safety and code deficiencies and to replace existing facilities exceeds \$1 billion and is growing. With new funds, BIA will build three new schools and provide much needed repairs to several others. This proposal follows the President's initiative from last year that sought a 61 percent increase over FY 1998 (\$87 million was in the President's budget, Congress gave \$60 million) and is also included as a response to the President's Native American education executive order. (Cost: For FY 2000, BIA requested \$108.8 million but received only \$78.3 million from OMB, they request the difference --\$30.5 million.)

Uncertainties and vetting: Interior strongly supports this measure. The groups have listed this as one of their priority areas. OMB is generally supportive, but doesn't know where the additional money would come from.

4. **Improving Health Care.** There is a high degree of well-documented unmet health care needs in the Native American community. Because of inflation and the fact that the Native American population is one of the fastest growing, a major emphasis of the IHS FY2000 budget is on increased funding to restore access to basic health care services such as immunizations, emergency care, primary care visits, well-child visits, and needed improvements in basic facilities. This proposal also includes program enhancements in health care for women, children, and the elderly. (Cost: \$207 million. IHS requested \$382 million above FY 1999 enacted, the passback provided \$175 million).

Uncertainties and vetting: OMB is supportive of increasing funding for health care, but feels that the entire amount should not be given in one year because IHS doesn't have the capacity. OMB fully funded the access to clinical care part of the request and feels that is the most important area. IHS feels it can absorb these funds and has appealed for the full amount of its request.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 8-DEC-1998 12:33:35.00

SUBJECT: proposed agenda for 2pm H2A meeting

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:
Also, I am attaching a list of the programs that various members of the group were tasked with doing follow-up on.

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D67]MAIL48398134U.326 to ASCII,
The following is a HEX DUMP:

FF5750435A040000010A02010000000205000000470C000000020000AEE1CB5343D4A87FD875C7
3B511BF15DF2B6BECE221F3E473752C4884E371376F7EE70643C61EE3D472EC35EA28512441389

Agenda
Farmworker/Grower FY2000 Ideas
December 8, 1997

- I. Status report from DOL re: Secretary of Labor's meeting with Graham/Wyden
- II. Progress report on development of ideas (see ideas.2 attachment)
- III. Strategy for moving forward with the package
 - A. Timing for final package completion
 - B. Timing for discussions with various advocates (farmworker advocates; grower advocates; immigration advocates)?
 - C. Timing for discussions with members?

Reform Ideas -- Growers and Farmworkers

Program

AgNet	(OMB)
Employment Verification Pilots	(INS)
Farm Labor Contractor Certification Program	(DOL/USDA)
Farmworker Harvesting Cooperatives	(USDA)
Pilot Programs -- Transportation	(DOL/OMB)
Pilot Programs -- Housing	(OMB)
Housing Regulation Reform	(OMB)
USDA Farmworker Housing Programs	(Julie/OMB)
Transportation Subsidies	(OMB)
Child Labor Protections	(Ceci)
Mechanization Adjustment Assistance	(Ceci/CEA (Elise))

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 8-DEC-1998 19:11:42.00

SUBJECT: Human Rights Day -- POTUS statement

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:

Scott Busby tells me that NSC wants the President to include as part of his December 10th Human Rights Day statement that the Department of Justice will explore legislative options for addressing the problem of illegal aliens who are victims of smuggling or trafficking ventures.

Under the INS's S visa program, illegal aliens are eligible for temporary stays of deportation (including work authorization) or permanent status if they are material witnesses in a criminal case. NSC would like the DOJ/INS to explore expanding the use of the S visa to cover those illegal aliens who provide information to DOJ and/or DOL, but whose cases are not criminally prosecuted. The theory is that lots of enforcement is done outside the criminal context and that these aliens, if they come forward, could be very helpful. NSC would envision a low annual cap on the number of available S visas.

According to Scott, DOJ and INS are in favor of exploring such a legislative expansion, though there is not agreement on the specifics. NSC strongly favors pursuing a legislative expansion; however, they have not yet explored what the reaction to such a proposal would be on the Hill. My concerns are: (1) congressional reaction; and (2) making sure that the legislative proposal is crafted very narrowly, so as not to induce people to come to this country under adverse conditions with the hope of getting work authorization (even if temporary). However, I think that the language suggested by NSC ("DOJ to explore legislative options for addressing the problem of illegal aliens who are victims of smuggling or trafficking ventures, in which aliens suffer extreme abuse") may be o.k.

What do you think?

julie

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 19:55:57.00

SUBJECT: Homeless Grants

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

TO: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

TO: Thomas L. Freedman (CN=Thomas L. Freedman/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:

I talked to Ann Lewis about the radio address on Dec. 19th, and she thought that if there was no FAA announcement we should get the HUD Homeless grants ready for that date. Also, she did not think the President should make any policy announcements at his service/shelter visit on Dec. 21 (which is why now the HUD grants need their own date).

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 8-DEC-1998 19:32:30.00

SUBJECT: Guidance Tomorrow

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

TO: Elliot J. Diringler (CN=Elliot J. Diringler/OU=CEQ/O=EOP @ EOP [CEQ])
READ:UNKNOWN

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

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

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

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

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

TO: Philip J. Crowley (CN=Philip J. Crowley/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/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

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

TEXT:

Joe Lockhart will be briefing at 11:30am tomorrow. Please have all guidance in by 9:45am at the latest. Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-DEC-1998 11:52:13.00

SUBJECT: Re: Black boxes

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

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

I asked Morely if I was missing something about black boxes. He says no.
----- Forwarded by Thomas L. Freedman/OPD/EOP on 12/08/98
11:50 AM -----

Morley A. Winograd @ OVP
12/08/98 10:39:18 AM
Record Type: Record

To: Thomas L. Freedman/OPD/EOP
cc:
Subject: Re: Black boxes

Tom:
No, you're not missing anything. I just can't seem to kill the event with
everyone who keeps talking about it.
Morley

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Marjorie Tarmey (CN=Marjorie Tarmey/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-DEC-1998 16:53:22.00

SUBJECT: call Maria Echaveste asap 6-6594

TO: ELENA (Pager) #KAGAN (ELENA (Pager) #KAGAN [UNKNOWN])

READ:UNKNOWN

TEXT:

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1998 13:38:09.00

SUBJECT: Equal Pay MOU

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

CC: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

The equal pay MOU that permits OFCCP to collect damages will be published for comment in the Federal Register on Monday. Legis Affairs is taking the lead on giving a heads up to certain folks on the Hill, letting them know that this is just going out for comment. EEOC, Labor, and WH Legis Affairs have coordinated on strategy and have signed off on the joint EEOC-Labor press release.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1998 10:11:20.00

SUBJECT: PM offer to farmers.

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

READ:UNKNOWN

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

READ:UNKNOWN

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Here's the next move by Philip Morris. After having gotten the reputation for low balling its purchase intentions and putting farmers over the barrel, yesterday PM makes a public offer (via press release) to buy half of the '97 reserves at only a 15% discount. The catch is that, for the first time ever, they want to cherry pick only the best grades of tobacco. The result: they would be getting a much better than 15% discount. USDA feels they are being put in a box and are considering a press release to say that this offer violates purchase rules. In any case, USDA says it cannot consider this bid until Monday as another offer is open to the companies. It seems likely there will be moves by the other companies soon.

Bid made to buy tobacco
reserves / Philip Morris move
could boost crops

Wednesday, December 9, 1998

BY CHIP JONES
Times-Dispatch Staff Writer

Philip Morris USA offered to buy half of the nation's flue-cured tobacco reserves yesterday, a multimillion-dollar bid that could help boost farmers' crops in 1999.

"It's got to be good news for the farmers," said David Milby, Philip Morris' senior vice president in charge of tobacco purchasing. "It allows them to get

a better deal."

Milby would not disclose the value of Philip Morris' offer to buy 95 million pounds of the heat-treated tobacco. Industry sources placed its value at about \$190 million.

Milby would say only that Philip Morris would pay more than an earlier price set by flue-cured tobacco officials.

The reserves eyed by Philip Morris, the nation's No. 1 cigarette maker, make up more than half of the 181.8 million pounds of leaf put in the farmers' co-op after it did not sell at auction last year.

Flue-cured tobacco, named for the process of sending hot air through flues in curing barns, is Virginia's leading cash crop, with sales of \$163.9 million in 1997.

Reserve levels of the leaf are crucial in determining how much tobacco farmers can grow each year. Agriculture Secretary Dan Glickman will announce the 1999 tobacco quota Tuesday.

Philip Morris and three other major cigarette-makers drew farmers' ire last week by announcing plans to buy 28 percent less flue-cured leaf next year.

At that level, farmers would have to cut back their crops by about 30 percent -- marking the second straight year of deep cuts.

Yesterday's news may help Philip Morris' standing in the tobacco fields and was applauded by Sen. Charles S. Robb, D-Va.

"I appreciate the effort that is being made to address the drastic quota reductions that face growers and their communities in the coming season, although I continue to be concerned about the uncertainty they face over the long run," Robb said in a statement.

Flue-cured officials were studying Philip Morris' offer last night.

"On the surface, it's at a more favorable price," said Arnold Hamm, assistant general manager of the Flue-Cured Stabilization Corp.,

- the farmer-run group

in Raleigh, N.C., that handles surplus leaf.

But Hamm said the offer could run afoul of the government's strict rules for selling reserve tobacco.

"We cannot cut a deal with Philip Morris," he said.

The three other major tobacco companies -- R.J. Reynolds Tobacco Co., Brown & Williamson Tobacco Corp. and Lorillard Tobacco Co. -- must be

given a fair chance to buy the same reserves, he said.

However, Hamm said, "The fact that Philip Morris is responding is positive."

The other cigarette companies made no comment yesterday.

"Now the challenge is on the other companies to step up to the plate and take their share" of the tobacco reserves, said J.T. Davis of the Concerned

Friends for Tobacco, a Danville-based farmers' group.

For now, he said, "The tobacco farm community can breathe a little easier."

. 1998, Richmond Newspapers Inc.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-DEC-1998 20:12:35.00

SUBJECT: Two tidbits re: welfare budget priorities

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

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

TEXT:

Access to Jobs: I understand from DOT that they may have found a way to fund the full \$150 M for FY 2000, but I'm trying to verify w/ OMB. Apparently OMB provided \$200 M in passback for other transit purposes, and the Department has indicated they want to use \$75 M of that to add to the \$75 M in guaranteed funding to reach the \$150 M level.

Substance Abuse: A study in the November issue of the American Journal of Public Health found that substance abusing welfare recipients were much less likely to leave welfare for jobs than other welfare recipients -- 30% of substance abusers exiting welfare did so because they got a job, compared with 52% of other welfare recipients existing the rolls (not a surprise, but it's always nice to have data). This was based on a longitudinal sample from 1989-1995, so it's pre-welfare reform. Overall, the study found about 15% of AFDC recipients in the sample were substance abusers (generally consistent w/ other studies). The data illustrate that individuals w/ subst. abuse problems can work and do work, but that they face an extra challenge. It's nice support for having made substance abuse one of the factors that qualifies someone as 'hard to serve' for purposes of being eligible for the \$3 B WtW grants, for continuing this focus, and for highlighting this population in competitive grants.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nicole R. Rabner (CN=Nicole R. Rabner/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-DEC-1998 15:15:14.00

SUBJECT: Title X

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

Jennifer L. Klein (CN=Jennifer L. Klein/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:

Title X family planning seems to be in fairly good shape. First, the history:

FY98 Enacted	FY99 Request	FY99 Enacted
\$203 mil	\$218 mil	\$215 mil

This year's OMB/HHS budget negotiations:

FY00 HHS Request	FY00 Passback
\$253 mil	\$230 mil

While OMB did not grant HHS its full requested increase for Title X, the passback does represent a 7 percent increase over the FY99 enacted level and the same dollar increase (\$15 million) that we requested for FY99. HHS has not appealed the passback -- in large measure because the Health Resources and Services Administration (HERSA), which administers Title X, was cut in other, unrelated areas. In fact, Ryan White and family planning were the only two HERSA programs that were given any increase in passback. HHS/HERSA plans to spend any Title X increase in three areas: (1) augmenting current programs; (2) targeting adolescents before they become sexually active, and (3) strengthening male responsibility.

I understand that Sylvia Mathews met with the women's groups the day after passback, and the women's groups were already aware of the passback level. While they did press Sylvia for a larger increase for family planning, they were pleased with our continued commitment to increasing the program.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 14:36:23.00

SUBJECT:

TO: ELENA (Pager) #KAGAN (ELENA (Pager) #KAGAN [UNKNOWN])
READ:UNKNOWN

TEXT:

FYI- Ann Marie just called, she'll be in her office till 3:45
(617-496-4451)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 09:01:08.00

SUBJECT: Reminder: Guidance Today

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

TO: Elliot J. Diringer (CN=Elliot J. Diringer/OU=CEQ/O=EOP @ EOP [CEQ])
READ:UNKNOWN

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

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

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

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

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

TO: Philip J. Crowley (CN=Philip J. Crowley/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/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

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

TEXT:

Joe Lockhart will be briefing at 11:30am today. Please have all
guidance in by 9:45am AT THE LATEST. Thanks.

----- Forwarded by Elizabeth R. Newman/WHO/EOP on

12/09/98 08:58 AM -----

Elizabeth R. Newman
12/08/98 07:31:58 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc: Jennifer M. Palmieri/WHO/EOP, Laura Emmett/WHO/EOP
Subject: Guidance Tomorrow

Joe Lockhart will be briefing at 11:30am tomorrow. Please have all guidance in by 9:45am at the latest. Thank you.

Message Sent

To: _____
Elena Kagan/OPD/EOP
Christopher C. Jennings/OPD/EOP
Jake Siewert/OPD/EOP
Linda Ricci/OMB/EOP
Philip J. Crowley/NSC/EOP
David C. Leavy/NSC/EOP
Sarah A. Bianchi/OPD/EOP
Julia M. Payne/WHO/EOP
Barry J. Toiv/WHO/EOP
Amy Weiss/WHO/EOP
Nanda Chitre/WHO/EOP
Elliot J. Diringier/CEQ/EOP
Kris M Balderston/WHO/EOP
James E. Kennedy/WHO/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 09:53:42.00

SUBJECT: Rotary International

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

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

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

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

TEXT:

James Lacy, the president of Rotary International requested a meeting with the President which the scheduling office could not grant, but he is coming in for a photo-op with the President and the scheduling office has asked DPC and Public Liaison to meet with him. He is currently scheduled to come in for Friday at 11:15 to meet with Bruce, Elena, Chris, Ben Johnson (OPL), and Victoria Lynch (OPL). He wants the President to promise to discuss polio eradication in Africa and the rest of the world in this year's State of the Union. James Lacy is supposed to have his photo-op at noon so we have tentatively agreed to discuss polio eradication with him before hand. please let me know if you think that this meeting is a bad idea or if I can continue to work with OPL to set this meeting up. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 17:52:23.00

SUBJECT: Info from Gruber on profits

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:

Here's Gruber's memo on profits. I pasted his spreadsheet in as the last page (it's readable when printed). I've left him a message to discuss next steps. ===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D56]MAIL44786354S.326 to ASCII,
The following is a HEX DUMP:

FF5750430C180200010A020100000002050000007D5B0200000200002A5D8CBBABAF9188B9606E
9E5F6AA44C72726AACE45EADD2C3324807E535233F76EFC53C205D973D414DE85EABB580B7896B

Memo To: Bruce Reed
Cynthia Rice

From: Jon Gruber

Re: Tobacco Company Profits

I attach a preliminary calculation of the impact of the tobacco settlement, and resultant price increases, on tobacco company profitability. Taken at face value, the results are pretty stunning.

Overview

- I estimate that the industry as a whole will make **\$71-\$97 billion** in excess profits over the next 25 years as a result of their settlement-induced price increases. Calculated in present value terms (which is the correct way to look at it), this amounts to **\$30 to \$42 billion** over 25 years.
- I find that the industry loses money in 1998, as the fixed payments that they make exceed the price increases to date. But they make money every year thereafter, with a **steady state increase in profits of about \$2.6 to \$3.5 billion, or as much as 25 cents per pack.**
- These calculations are subject to considerable uncertainty:
 - There is still some uncertainty in what I have seen over what the fixed payments are to the original four states.
 - The settlement contains language which reduces the volume adjustment for 25% of excess profits, but it is not clear how well this can be enforced.
 - I am working with list prices, and there may be promotions/discounts from those prices which reduce profitability. For example, much of the gains from the most recent 45 cent increase in price were returned to consumers through a holiday discount through the end of 1998
- Moreover, it is a bit unfair to look at the industry as a whole, since Phillip Morris is the price-leader, and it makes less money because it has a higher share of fixed payments and higher profits per pack today (so more of a cost to lowering volume by raising prices). Even accounting for these, however, PM does seem to increase profits as well.
- In summary, it seems very clear that **this package of settlement payments and price increases will lead to a sharp increase in the long run profitability of the industry**

Details of Calculations

Prices

- I first increase the price of cigarettes by the set of price increases announced over the past 15 months by the tobacco industry - 26 cents in a series of steps before the latest 45 cent increase. Following Gary Black's analysis, I do not count 6 cents of the price increase because this is standard annual price increase. So, on net, the industry is raising prices 65 cents more than they otherwise would because of the settlement.
- For simplification, I call this 20 cents in 1998 and 45 cents in 1999, even though a bit of the 1998 increase came in 1997 and the 45 cent increase came at the end of 1998.
- This calculation therefore assumes that prices will continue to increase to offset inflation - that is, the base price has just risen 65 cents, and will continue to rise thereafter to stay constant in real terms. This is consistent with history - if anything, cigarette prices have been rising in real terms.
- This calculation also ignores any reaction of state taxes or retail margins. Increases in either could lead to further volume declines, which would feed back to the ultimate calculations through foregone profits. But this should be small.

Volumes

- I use the standard Treasury model estimates of the price elasticity - a semi-log model with a price elasticity of -0.45 - to get the reduction in cig demand from this price increase.

Payments

- Payments under the AG settlement, both fixed and volume adjusted, are clearly laid out in the settlement documents.
- Payments under the four existing state settlements are less clear. I am working from two sources: Gary Black's reports and OMB's numbers. Both agree on the out-year stream of volume adjusted payments, so I've used OMB's numbers for the volume adjusted payments in each year. But Black has a much higher figure for the fixed payments than does OMB - he has fixed payments over the next five years of \$8.8 billion, as opposed to \$4.7 billion from OMB.
- As a result, I have done two cases: one using Black's fixed payments, and one using OMB's. **Columns 1-3** of the attached spreadsheet shows the payment streams - the Volume Adjusted Payments (VA), and the fixed payments using Black (GB) and OMB (OMB),

Foregone Profits

- An important component of costs is the fact that profits fall as prices rise and sales fall. I incorporate this at existing industry margins of 33 cents per pack.

Net Profit Impact

- **Columns 4-5** of the spreadsheet show the net impact on profits, for the two different assumptions on fixed payments.
- In either case, there is a loss in the first year, as the price increase for 1998 (before the 45 cent rise of last month) is not enough to make the fixed payments due this year. But there are gains in every other year.
- The gains in 1999 are particularly large, because the volume adjusted payments are small, and there is a dip down in fixed payments. I estimate that in 1999 the industry will make **around \$10 billion in excess profits** from this price increase.
- The gains then get smaller, but remain quite large; they are about **\$3.5 billion per year** in the out years
- The final two rows show 25 year totals and 25 year presented discounted values. These are huge in either case. I find that over 25 years the industry makes **almost \$100 billion** in excess profits, with a present discounted value of **around \$40 billion**.

Profit/pack

- **Column (6)** provides a rough check on the sensibility of these calculations by computing net profits per pack, for the Gary Black fixed costs case. In the out years, excess profits/pack are about 21 cents. This is sensible:
 - Steady state volume adjusted payments are \$9.4 billion. Since these are adjusted from a base of 24 billion packs, this is 39 cents/pack.
 - Steady state foregone profits are about \$1 billion (33 cents per pack on roughly a 3.3 billion pack decline in sales from baseline), which is about 4.2 cents/pack
 - Prices are increasing by 65 cents, for a net gain of 21.8 cents/pack.
 - The difference between 21.8 and 20.7 (the figure in the spreadsheet) is the imperfect volume adjustment in the bill - firms only get credited 98% of decline in volume in their payments.

Excess Profits Adjustment

- Exhibit E of the settlement, which describes the volume adjustment, has a provision that this adjustment shall be reduced by 25% of any increase in operating income of the industry from its base value. I don't know if such a provision exists in the four state settlements - for now I assume that it does not.
- It is unclear how well this can be enforced (see discussion below). But I do some calculations as well which assumes that it is perfectly enforced, so that I reduce the amount of the AG volume adjustment by 25% of the net profit increase.
- These calculations are shown in **columns 7-10** of the spreadsheet. For each of the two cases (GB and OMB), I first show the reduction in the volume adjustment due to excess profits, and then the resultant net profits after the 25% "tax".
- This adjustment lowers net profits significantly, but they are still huge - over \$30 billion in net present value over 25 years.

Phillip Morris

- One reason why these profits are so large is the pricing dynamic in the industry: Phillip Morris sets the price and others follow. But, Phillip Morris is doing significantly worse under this settlement than are the other players in the market, for two reasons:
 - They pay a disproportionate share of fixed costs (68%, as opposed to only 42% of volume adjusted costs)
 - They have a higher existing profit/pack, so declines in sales are more costly in dollar terms
- The **second spreadsheet** goes through analogous calculations for PM, and finds that they do indeed do worse - they get significantly less than 42% of the net profits from this price increase. Nevertheless, over the long run, they still make significant profits, of at least \$7 billion in net present value.

Caveat

- These numbers are striking - a bit too striking. I am concerned that the Wall Street analysts aren't saying similar things. One difference could be promotions, which I do not incorporate. PM had a promotion through the end of this year which gave back to retailers a large chunk of the gains from the 45 cent price increase. But this promotion is scheduled to end on January 3.
- I would like to check these calculations with someone like Gary Black before they were public in any form. We should discuss this.

GRUBER CALCULATIONS OF PROFIT IMPACTS OF SETTLEMENTS/PRICE INCREASES - 12/9/98

Industry-Wide

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Year	total VA payments	total fixed pay GB	total fixed pay OMB	profit GB	profit OMB	net profit/ pack - GB	reduction net in VA GB profits	Gfin VA OM	reduction net profits OMB	
1998	680	5889.2	4549.2	-2297	-957.1	-0.1	0	-2297	0	-957.1
1999	1015	1591.2	796.15	9674.9	10470	0.4745	38.526	9636.4	38.526	10431
2000	5089.8	4013.2	3240.2	3572.6	4345.6	0.1814	856.57	2716	856.57	3489
2001	5782.5	4087.2	3314.2	2886.8	3659.8	0.1478	721.7	2165.1	914.95	2744.9
2002	7095.8	3436.2	3044.2	2357.6	2749.6	0.1235	589.41	1768.2	687.41	2062.2
2003	7350.8	2726.2	2726.2	2828.7	2828.7	0.1488	707.16	2121.5	707.16	2121.5
2004	8364	25.15	25.15	4691.8	4691.8	0.2476	1172.9	3518.8	1172.9	3518.8
2005	8364	25.15	25.15	4662.6	4662.6	0.2475	1165.6	3496.9	1165.6	3496.9
2006	8364	25.15	25.15	4633.5	4633.5	0.2475	1158.4	3475.2	1158.4	3475.2
2007	8364	25.15	25.15	4604.7	4604.7	0.2475	1151.2	3453.5	1151.2	3453.5
2008	9352.9	25	25	3809.8	3809.8	0.2067	952.46	2857.4	952.46	2857.4
2009	9352.9	0	0	3810.8	3810.8	0.208	952.7	2858.1	952.7	2858.1
2010	9352.9	0	0	3786.9	3786.9	0.208	946.72	2840.2	946.72	2840.2
2011	9352.9	0	0	3763.1	3763.1	0.208	940.77	2822.3	940.77	2822.3
2012	9352.9	0	0	3739.5	3739.5	0.208	934.87	2804.6	934.87	2804.6
2013	9352.9	0	0	3716	3716	0.208	928.99	2787	928.99	2787
2014	9352.9	0	0	3692.6	3692.6	0.208	923.16	2769.5	923.16	2769.5
2015	9352.9	0	0	3669.4	3669.4	0.208	917.35	2752.1	917.35	2752.1
2016	9352.9	0	0	3646.4	3646.4	0.208	911.59	2734.8	911.59	2734.8
2017	9352.9	0	0	3623.4	3623.4	0.208	905.85	2717.6	905.85	2717.6
2018	9364	0	0	3592.5	3592.5	0.2076	898.13	2694.4	898.13	2694.4
2019	9364	0	0	3569.9	3569.9	0.2076	892.48	2677.4	892.48	2677.4
2020	9364	0	0	3547.4	3547.4	0.2076	886.86	2660.6	886.86	2660.6
2021	9364	0	0	3525.1	3525.1	0.2076	881.27	2643.8	881.27	2643.8
2022	9364	0	0	3502.9	3502.9	0.2076	875.72	2627.2	875.72	2627.2
			25 total	92612	96685		25 total	71301	25 total	75083
			25 pdv	38885	42256		25 pdv	30702	25 pdv	33864

Phillip Morris Only

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Year	total VA payments	total fixed pay GB	total fixed pay OMB	profit GB	profit OMB	net profit/ pack - GB	reduction net in VA GB profits	Gfin VA OM	reduction net profits OMB	
1998	285.6	4004.6	3093.4	-2553	-1642	-0.263	0	-2553	0	-1642
1999	426.3	1062.4	521.84	3496.4	4037	0.4083	16.181	3480.2	16.181	4020.8
2000	2137.7	2722.4	2196.8	295.77	821.41	0.0365	73.941	221.82	205.35	616.05
2001	2428.7	2772.7	2247.1	-10.5	515.14	-2E-04	0	-10.5	128.78	386.35
2002	2980.2	2330	2063.5	-60.53	206.03	-0.006	0	-60.53	51.508	154.52
2003	3087.3	1847.2	1847.2	322.88	322.88	0.0416	80.721	242.16	80.721	242.16
2004	3512.9	10.563	10.563	1808.6	1808.6	0.2274	452.16	1356.5	452.16	1356.5
2005	3512.9	10.563	10.563	1797.3	1797.3	0.2273	449.33	1348	449.33	1348
2006	3512.9	10.563	10.563	1786.1	1786.1	0.2273	446.53	1339.6	446.53	1339.6
2007	3512.9	10.563	10.563	1774.9	1774.9	0.2273	443.73	1331.2	443.73	1331.2
2008	3928.2	10.5	10.5	1442.1	1442.1	0.1865	360.51	1081.5	360.51	1081.5
2009	3928.2	0	0	1443.4	1443.4	0.1878	360.85	1082.5	360.85	1082.5
2010	3928.2	0	0	1434.3	1434.3	0.1878	358.57	1075.7	358.57	1075.7
2011	3928.2	0	0	1425.2	1425.2	0.1878	356.31	1068.9	356.31	1068.9
2012	3928.2	0	0	1416.2	1416.2	0.1878	354.06	1062.2	354.06	1062.2
2013	3928.2	0	0	1407.3	1407.3	0.1878	351.83	1055.5	351.83	1055.5
2014	3928.2	0	0	1398.4	1398.4	0.1878	349.6	1048.8	349.6	1048.8
2015	3928.2	0	0	1389.6	1389.6	0.1878	347.4	1042.2	347.4	1042.2
2016	3928.2	0	0	1380.8	1380.8	0.1878	345.2	1035.6	345.2	1035.6
2017	3928.2	0	0	1372.1	1372.1	0.1878	343.02	1029.1	343.02	1029.1
2018	3932.9	0	0	1360	1360	0.1873	340	1020	340	1020
2019	3932.9	0	0	1351.4	1351.4	0.1873	337.85	1013.5	337.85	1013.5
2020	3932.9	0	0	1342.8	1342.8	0.1873	335.71	1007.1	335.71	1007.1
2021	3932.9	0	0	1334.3	1334.3	0.1873	333.58	1000.7	333.58	1000.7
2022	3932.9	0	0	1325.9	1325.9	0.1873	331.47	994.4	331.47	994.4
			25 total	29482	32252		25 total	22313	25 total	24771
			25 pdv	10318	12610		25 pdv	7870.9	25 pdv	9929.1

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 12:11:24.00

SUBJECT: Budget Charts

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

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

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D38]MAIL440905442.326 to ASCII,

The following is a HEX DUMP:

FF575043A05B0300010A0201000000020500000049F303000002000005B5846BF34EAAD02883ACA
20252076E08CA3B1C73D3A29EEF40C0436545CAFA00098DAC036893E1E7400B75C018A4AB661FB
85DD3BFAEFD0C548D7DB1D7B3560B7E2BCB3DB4222EE015D52FD62B61A5A7195B19FBE134DD23E

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

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

**See attached one-pager for discussion.

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

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

**DRAFT: COMMUNITY EMPOWERMENT
USES OF FUNDS FOR FY 2000 BUDGET**
(Dollars in Billions)

DISCRETIONARY COMMENTS	Request	OMB	Treas/HUD	WH	
		Passback	Appeal	Priorities	
	FY 2000	FY 2000	FY 2000	FY 2000	
Vouchers Section 8 WTW would go	----- .289	11.408 .144	11.717 .289	.145	Deich along if not out HUD budget.
Family Incremental Subsidized Housing	----- -----	.204 .144	.927 .564		
CDFI Fund	.125	.100	N/A	.25	We asked for \$125 last year and got \$90.

MANDATORY	Request	OMB	Treasury/HUD	WH	COMMENTS
		Passback	Appeal	Priorities	
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
Green Bonds	1.0	N/A	N/A	0	Treasury dislikes, but NEC, OVP, CEQ, EPA, HUD support.
Tax Credit For Equity Investments In CDFIs	0.1	N/A	N/A	0	Treasury will go along but Tax Policy doesn't like idea. Proposed in 1996 budget.
Empowerment Zones II	.750	.750	-----	0	

**NEW CRIME INITIATIVES
USES OF FUNDS FOR FY 2000 BUDGET**
(Dollars in Billions)

DISCRETIONARY COMMENTS	Request		OMB		AGCY		WH
			Passback	Appeal		Priorities	
	FY 2000	FY 2000	FY 2000	FY 2000	FY 2000		
COPS II	0.315	0.3	0.0	1.4	\$650 M in offsets <u>and</u> \$650 M in new money identified; <u>still</u> <u>\$100 M short.</u>		
Firearms Enf. Initiative	0.021	0.006	0.0	.031	Need \$25 M in <u>new</u> funds for 200 new agents and prosecutors (\$15 M for ATF; \$10 M for DOJ). To be coupled w/\$78 M already in budget for total of \$109 M.		
Certainty of Punishment	0.060	0.005	0.0	0.100	Need \$95 M to fund. Could be alternative to prison funding.		
Coerced Abstinence	0.187	0.153	0.085	0.250	Need \$97 M to fund. Could be alternative to prison funding.		

**EDUCATION INITIATIVES
USES OF FUNDS FOR FY 2000 BUDGET**

DISCRETIONARY	Request OMB		ED	WH	Priorities	COMMENTS
	FY 2000	FY 2000	Passback FY 2000	Appeal FY 2000		
21st Century After-School Program (ending soc. Prom.)	300	250		+150	+450	POTUS priority
<u>Choice</u>						
Charter Schools	120	110		---	+10	Keeps us on path to 3,000
Work-site schools	---	---		---	+10	expands public school choice options
Magnet Schools 104 (for interdistrict magnets)	114		---	---		Passback meets our priority
High Schools at 120* Community Colleges (In Tech-Prep line item) *10 million for this initiative	106	+14		+10		expands public school choice options
<u>Teacher Quality</u>						
Teacher Quality and Recruitment (HEA Title II)	175	75		+100		
Teacher Recruitment (Byrd Scholarship) *no funding included for this new initiative	39.2*	39.2		---	+28	use existing authority for new initiative
Reduce Unqualified Teachers (Eisenhower national) no funding included for this initiative	---*	---		---	+50	
Mid-Career Teachers (expand Troops to Teachers)	---	---		---	+25	
School Leadership (Eisenhower national)	50	---		---	+50	

Education Reform
Education Excellence
and Accountability

+200

Respond to
POTUS Fund
priority for
stronger
accountability

(add to Title 1)

Goals 2000

515

491

+100

+25

signal that
G2K remains
high priority

**DRAFT: HEALTH CARE
USES OF FUNDS FOR THE FY 2000 BUDGET**
(Dollars in billions, fiscal years)

DISCRETIONARY	Requests	OMB	HHS	WH	COMMENTS
		Passback	Appeal	Priorities	
	2000	2000	2000	2000	
Bioterrorism	0.370	0.152	+ 0.218	+ 0.090	High priority
Superbug	0.020	0.000		+ 0.010	High priority
AoA Caregiver Program	0.150	0.010	+ 0.140	+ 0.140	Needed for LTC initiative
Nursing Home Quality	0.153	0.107	+ 0.013	+ 0.500	Needs \$; mand & discr.; user fee unrealistic
Medicare LTC Education	0.025	0.000		+ 0.025	Needed for LTC initiative
AIDS: Ryan White	0.100	0.072		+ 0.050	OMB funding only minimum
AIDS: CBC Initiative	0.100	0.000	+ 0.050	+ 0.050	Needed for CBC
Race & Health	0.080	0.000	+ 0.103	+ 0.050	High priority
Mental Health	0.100	0.000	+ 0.116	+ 0.100	VP priority
Asthma (only EPA funds)	0.025	0.000	+ 0.050	+ 0.025	Funded through EPA/maybe Medicaid
Rural emergency services	0.050	0.000		+ 0.025	POTUS interest/possible mandatory
FDA, Food Safety	0.550	0.127	+ 0.263	+ 0.050	Need \$50 m for food safety
Children's GME	0.150	0.000		+ 0.040	FLOTUS priority
DoD Cancer, osteoporosis					Want \$200 million of DoD increase
Biomedical Research	1.500	0.049	+ 1.500	*	VP priority (will need \$500-750m)
TOTAL	3.373	0.517	+ 2.453	+ 1.155	
<i>Subtotal: HHS Request</i>	<i>3.128</i>		<i>+ 2.453</i>		
MANDATORY	Requests	OMB		Additions/	
		Passback		Priorities	
	2000-04	2000-04		2000-04	
Jeffords-Kennedy	1.200	1.200			POTUS priority/disability comm. thinks in
Medicare Buy-In	1.700	0.000		+ 1.700	POTUS priority
Cancer Clinical Trials	0.750	0.000		+ 0.750	VP priority
Medicaid Disability Equity Opti	0.110	0.110			Important to disability community
Medicaid for Foster Kids	0.050	0.050			FLOTUS priority
Legal Immigrant Kids	0.100	0.100			Last year's proposal
CHIP Territories	0.100	0.100			" "
QMB Low-Income Reforms	0.000	0.000			Depending on baseline, budget neutral
Kids' Outreach	0.000	0.000			" "
TOTAL	4.010	1.560		+ 2.450	

**DRAFT: NATIVE AMERICANS/FOOD SAFETY/EQUAL PAY
USES OF FUNDS FOR FY 2000 BUDGET**
(Dollars in Millions)

DISCRETIONARY COMMENTS	Request		OMB	Agency	WH
	FY 2000	FY 2000	Passback FY 2000	Appeal FY 2000	Priorities
Food Safety					Admin. Priority
FDA	\$48.9	\$0	\$48.9	\$48.9	
CDC	\$18	\$0	\$18	\$18	
USDA	\$20	\$20	(\$30.5)*	\$30.5	
Equal Pay					Next step
EEOC	\$17.3	\$0	\$17.3	\$17.3	
DOL-OFCCP	\$10.4	\$0.383	\$0	\$10.4	
Native American Educ: 1000 Teachers	\$0	\$0	\$10	\$10	POTUS Executive order
Interior: Econ Dev	\$0	\$0	\$0	\$1	POTUS Directive
Interior: BIA School Construction	\$108.8	\$78.3	\$30.5 (to make up diff)		Followup to FY99 Req
HHS-IHS budget	\$382	\$175	\$207 (to make up diff)		

*Although no part of the Food Safety Initiative, USDA objects to denial of salary increases, arguing that this will cut the number of inspections and undercut the Initiative.

DRAFT: TOBACCO
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY COMMENTS	Request		OMB		Agency		WH	
			Passback	Appeal		Priorities		
	FY 2000	FY 2000	FY 2000	FY 2000	FY 2000	FY 2000		
<hr/>								
Tobacco								
CDC	.243		.74					+ .26
FDA	.184		.34					+ .66
SAMHSA Survey	.4		0					+ .4
Smoking Cessation								
Non-Defense	---		---		---			+ .90
Defense	---		---		---			+ .60
<hr/>								

**DRAFT: WELFARE
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)**

DISCRETIONARY	Request OMB		Agency	WH	COMMENTS
	FY 2000	FY 2000	Passback	Appeal	
	FY 2000	FY 2000	FY 2000	FY 2000	Priorities
Child Support Crackdown.	N.A.	N.A.	N.A.	+0.092	\$8 mi to DOJ \$1.2 mi to HHS
Access to Jobs level	.150	.075	.150	+0.750	Full authorized
Welfare-to-Work Housing Vouchers	.289 had	.144	.289	+0.144	Passback also up to 36,000 Through svgs (Not all WTW)
Targeted Substance Abuse Grants	.121	.026	.60	+0.24	About 1/3 for women w/ kids
IDAs	--	.012	??	+0.13	Presidential initiative
BRIDGE	.150	0	N.A.	+0.150	Task Force priority
<hr/>					
MANDATORY	Request OMB		DOL	WH	COMMENTS
	FY 2000-04	FY 2000-04	Passback	Appeal	
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	Priorities
Welfare-to-Work	6.5	N.A.	N.A.	+5.0 yet	OMB has not passed back

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mickey Ibarra (CN=Mickey Ibarra/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-DEC-1998 19:49:32.00

SUBJECT:

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:

----- Forwarded by Mickey Ibarra/WHO/EOP on 12/09/98
07:49 PM -----

Fred Duval 12/09/98 07:47:55 PM

Record Type: Record

To: Linda L. Moore/WHO/EOP

cc: Jeffrey A. Forbes/WHO/EOP, Mickey Ibarra/WHO/EOP, Patrice L. Stanley/WHO/EOP, Emory L. Mayfield/WHO/EOP

Subject:

I trust you know that Gov Patton does not want POTUS to go to Kentucky after the SOU if the speech includes a tobacco tax.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 13:58:30.00

SUBJECT:

TO: ELENA (Pager) #KAGAN (ELENA (Pager) #KAGAN [UNKNOWN])

READ:UNKNOWN

TEXT:

FYI- Ann Lewis is having a while POTUS is away msg. mtg. today at 2:00 in her office; pls. stop by on your return

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-DEC-1998 15:10:01.00.

SUBJECT: Cong. Letter re: presumption of extreme hardship

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

READ:UNKNOWN

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

READ:UNKNOWN

CC: Leslie Bernstein (CN=Leslie Bernstein/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

FYI. Caroline F. just forwarded me a copy of a letter sent to the AG from Sens. Kennedy, Abraham, Graham and Mack on Dec. 15th of last year in which they discuss their view that it would be consistent with the NACARA legislation for the AG to use her discretion to presume extreme hardship for NACARA beneficiaries generally. I will fax you a copy of the letter.

julie

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:10-DEC-1998 10:45:38.00

SUBJECT: DPC Passback

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

TEXT:

----- Forwarded by Bruce N. Reed/OPD/EOP on 12/10/98
 10:45 AM -----

Bruce N. Reed
 12/10/98 10:34:31 AM
 Record Type: Record

To: Jacob J. Lew/OMB/EOP
 cc:
 Subject: DPC Passback

Here's a revised list of new initiatives:

	Cut	New
Level		
HEALTH		
Bioterrorism/Superbug	10	90
LT care	80	135 [120 for
family care giver;		
		15
for education]		
Diseases	105	200 [50 for minority
AIDS, 50 for race & health,		75 for
mental health, 25 for asthma]		
Rural	0	25
Childrens GME	[First Lady initiative; discuss w/Melanne]	
DOD Health	[Earmark within DOD budget]	
EDUCATION		
End Social Promotion	100	350
Teacher Quality	250	0
Charters & Choice	20	40
Title I Acctability Fund		0 200
TOBACCO	0	207
WELFARE		
Child Support	0	10

Access to Jobs	25	50
Vouchers	145	0 [unless helps
w/HUD appeal]		
WOMEN/CHILDREN	0	20
SERVICE	72	100
MISCELLANEOUS		
Food Safety	25	50
Equal Pay	0	20
CRIME		
COPS II	100	650
Guns	0	25
Certainty o' Punishment	45	50 [earmark out of
prison funds]		
Coerced Abstinence	45	50 [earmark out
of prison funds]		