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THE WHITE HOUSE
WASHINGTON

June 14, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

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

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

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

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

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

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

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

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

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