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Oct. 17, 1998 - DPC Weekly Report

cc: VP
CTS (Craig Smith)

All our candidates
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THE WHITE HOUSE
WASHINGTON

October 17, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

Handwritten notes:
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1. Education -- Class Size Initiative: The final agreement we reached on your class size reduction initiative is remarkably close to your original proposal. The program, totaling \$1.2 billion this year, is targeted to reducing class size in the early grades to an average of 18 and to ensuring that well-prepared teachers are in the smaller classes. Under the legislation, states receive funds based on either the Title 1 (poverty) formula or the Eisenhower program (enrollment) formula, whichever is higher. The states then distribute funds to local school districts according to a formula that is based 80 percent on poverty and 20 percent on enrollment. Districts can use the funds to recruit, train, and hire new teachers to reduce class size in the early grades; they also can use up to 15 percent of the funds for additional steps to improve teacher quality, such as professional development for experienced teachers and testing of new teachers. If and when a district brings class size down to 18 in the early grades, it can hire teachers to reduce class size in other grades or make other teacher quality improvements. Schools must produce an annual report card for parents providing information on class size and student achievement levels. We estimate that school districts will be able to hire between 30,000 and 40,000 teachers with these new funds, which would put us on track to reaching your goal of 100,000 additional teachers in seven years, assuming Congress provides continued appropriations.

2. Education -- National Testing: As you know, the budget bill includes a provision on national standards that allows test development work to continue, but bans pilot testing (which we intended to do this year), field testing, and implementation without congressional authorization. The provision also calls on NAGB and the National Academy of Sciences to conduct several studies related to national testing in anticipation of Congress considering this issue when it reauthorizes NAEP next year. Because the likelihood of obtaining Congressional approval for the tests is so slim, we are trying to develop other ways to continue our push for national standards.

3. Health Care -- Home Health Care Fix: The Congressional Republicans (House and Senate) announced a proposal on Friday to modify the reimbursement rates for home health care providers, and asked that it be included in the final budget bill. The proposal is sound as a matter of health care policy, but it is financed in part by a scheme to increase income limits on Roth IRA rollovers, which the Administration strongly opposes. (As you

recall, the scheme loses revenue in the outyears and benefits only wealthy individuals.) We responded to the Republican proposal by offering several alternative financing mechanisms, including a limit on participation in Medicare Medical Savings Accounts and some relatively non-controversial tax offsets that have appeared in other bills. The Republicans strongly oppose limiting MSAs as an offset, but may be able to agree to some of our other financing sources. We will work through the weekend to see if we can reach agreement. Even if we do not, we believe that our quick response has insulated us from Republican attacks that we stood in the way of solving the home health care problem.

4. Health Care -- Historic Budget Increases: The final budget bill includes an increase of almost \$2 billion -- or 14 percent -- in biomedical research at the NIH. In addition, the CDC and the Agency for Health Care Policy Research (AHCPR) received the full budget increases you requested for new research to improve prevention efforts and quality outcomes. The final budget bill also includes the \$80 million you asked for (though distributed among slightly different programs) to eliminate racial health disparities in six health areas, including cancer, diabetes, and immunizations. Finally, the bill includes significant new funding for HIV/AIDS, including \$250 million (a nearly 30 percent increase) for the Ryan White Program and \$130 million for funding to address the AIDS problem in the minority community. The latter increase is particularly striking and meets the Congressional Black Caucus's request for funding.

5. Health Care -- Needle Exchange: One of our greatest disappointments in the budget is a provision that not only prohibits federal funding of needle exchange programs across the country, but also prevents the use of local and private funds for this purpose in the District of Columbia. The Republican Leadership was adamant about retaining this provision, presumably because it was necessary to sell the budget package to conservatives in the party.

6. Health Care -- Kennedy-Jeffords Legislation: We proved unable to include the Work Incentives Improvement Act (Kennedy-Jeffords) in the final budget bill. This legislation, which is the disability community's primary legislative priority, gives people with disabilities the option to buy into Medicaid and Medicare when they go back to work. Although the bill has received broad bipartisan support, the Republican leadership rejected the idea of including a significant health care expansion in the omnibus legislation. We believe, however, that we have laid the groundwork for passage of this bill in the next Congress.

7. Health Care -- Pennsylvania DSH Payments: The entire Pennsylvania Congressional delegation is lobbying the Administration to place a moratorium on the collection of claims (valued at over \$300 million) against the State's hospitals for making inappropriate Medicare DSH payments. This moratorium would give the State time to get the claims overturned in court and/or lobby for remedial legislation. Because we believe that HCFA has applied the rules inconsistently in this area, we have urged the agency to be

responsive. We think that HCFA will decide to impose a temporary moratorium next week at which time we will contact the State's Democratic Members.

8. Crime -- Prison Drug Testing/Treatment: The final budget agreement includes language to allow states to use up to 10 percent of their federal prison funds to implement drug testing and treatment plans for prisoners and parolees. As you recall, you urged Congress in January to adopt this change in law, at the same time as you signed a directive promoting coerced abstinence policies in the federal prison system. Before now, Senator Hatch consistently had opposed our efforts to allow states to use their prison funds for this purpose.

9. Crime -- Brady Implementation: The final budget agreement ensures that the Brady National Instant Criminal Background Check System (NICS) will go on-line as planned at the end of next month. Although the bill prohibits the FBI from charging a user fee for background checks, it appropriates sufficient funds (\$42 million) to operate the system. Equally important, the bill does not include a Republican-proposed rider on records destruction procedures that would have delayed implementation of the NICS by 6 to 8 months.

10. Community Empowerment -- Budget Agreement: The final budget agreement includes almost all of the community empowerment initiatives you proposed this year. Some of the highlights include: (1) 50,000 new welfare-to-work housing vouchers; (2) first-year funding for the Round II Empowerment Zones; (3) a 19 percent increase in the Community Development Financial Institution Fund budget; (4) enactment of landmark public housing reform legislation; (5) extension of the Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit; (6) an 18 percent increase in homeless assistance; (7) a 33 percent increase in HUD's fair housing programs; (8) full funding for the EPA's Brownfields program; and (9) the creation of a new program to provide Individual Development Accounts to individuals wishing to save for a first home, post-secondary education, or new business. The one initiative we failed to enact was your proposal to expand the Low-Income Housing Tax Credit (LIHTC). We believe, however, that we have laid the groundwork to secure Congressional approval of this proposal next year.

11. Welfare Reform -- Teen Birth and Pregnancy Rates: Two recent reports show continued good news on teen birth and pregnancy rates. CDC announced data showing a 3 percent drop in the teen birth rate from 1996 to 1997, bringing the rate to 52.9 births per 1,000 girls between 15 and 19 years old. The drop is the sixth in a row and caps a total decrease of 15 percent since 1991. Teen birth rates declined for all racial groups, although the rate of decline for blacks was slightly less than for other groups. In addition, a new report from the Alan Guttmacher Institute shows that the teen pregnancy rate dropped nearly 13 percent from 1991 to 1995 and now stands at the lowest level since 1975, at 101 pregnancies per 1,000 15- to 19-year-old girls. Researchers attribute the drop in pregnancy rates to a decline in sexual activity among teens and improved use of contraceptives. The teen pregnancy data lag several years behind the teen birth data because the pregnancy data depend on abortion data which

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take longer to collect. In a few months, CDC will produce its own estimate of the teen pregnancy rate, which will use a slightly different methodology but show a similar trend.

During last week's budget negotiations, we succeeded in removing a rider on the Labor-HHS-Education appropriations bill that would have endangered these very positive trends. The rider would have prohibited all family planning organizations receiving federal funds from dispensing contraceptives to minors without their parents' consent. This rider, if passed, would have led to more teen pregnancies, births, and abortions.

12. Tobacco -- Medicaid Recoupment: The final budget agreement does not include any provision to waive the federal government's right to a share of state tobacco recoveries. During negotiations, the Republicans supported language that would have given the federal share of the money to states to use in whatever manner they pleased (rather than for a menu of specified activities). The Democrats opposed any provision waiving federal claims (with or without a menu), on the theory that leaving this issue open would make Congress more likely to consider comprehensive tobacco legislation next year. We will work with members of Congress and the public health community on a strategy to use the federal government's claims against the states as part of a renewed effort to enact such legislation.

13. Children and Families -- Child Care Budget Increases: The budget bill includes two notable increases in child care spending. First, the bill provides for \$200 million for after-school programs (up from \$40 million this year and \$1 million the year before), which will serve about a quarter of a million children each year. You are currently scheduled to highlight this remarkable increase when you campaign with Senator Boxer in California on Wednesday. Second, the bill adds \$182 million to the quality fund within the Child Care and Development Block Grant. Although even this increase was very difficult to get, the child care community expected higher. We and the first lady's staff will meet with representatives of that community within the next few weeks to discuss the treatment of child care in the next budget and develop a strategy for making progress on this issue in the next Congress.