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Dec. 18, 1998 - DPC Weekly Report

THE PRESIDENT HAS SEEN

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THE WHITE HOUSE

WASHINGTON

December 18, 1998

MEMORANDUM FOR THE PRESIDENT

*copied
Reed
Kagan
Podesta*

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Welfare Reform -- IRS Notice on Workfare and Taxes: The IRS this week issued a long-awaited notice clarifying that welfare recipients who participate in workfare programs do not need to pay income taxes or payroll (FICA) taxes. State and local governments welcomed this ruling because it allows them to run workfare programs without paying the employer's share of FICA taxes. (As you may recall, Governors Carper and Chiles were especially insistent that we issue this ruling.) At the same time, unions decided not to oppose the ruling vigorously, principally because it makes clear that it does not affect the application of the minimum wage or other worker protections to workfare participants.

2. Welfare Reform -- GAO Report on Access to Jobs: A GAO report issued last week on Access to Jobs -- the welfare-to-work transportation initiative you urged Congress to include in the highway bill -- applauds the Administration's early efforts to implement the program. GAO commends the Department of Transportation for coordinating Access to Jobs with other federal welfare-to-work initiatives. It also specifically praises joint guidance by the Secretaries of Labor, HHS, and Transportation, issued even before Congress approved the program, to help state and local officials use available funds to provide transportation for working welfare recipients. The same three departments are about to release an updated version of this guidance, reflecting Congress's enactment of the Access to Jobs program. In addition, we have worked with OMB to include a 100 percent increase in the program (from the \$75 million appropriated last year to the \$150 million authorized) in your FY 2000 budget request.

3. Education -- Scholarships for Teachers: In Thursday's budget meeting, you asked about our scholarship program for students who commit to teaching in high poverty areas. This program, authorized as part of the Higher Education Act last year, receives 10 percent of the appropriation for a broader Teacher Quality and Recruitment Program, which also includes grants to states to raise licensing standards and grants to partnerships between school districts and universities to improve teacher education. The appropriation for the entire program in FY 1999 was \$75 million, which gave us \$7.5 million for approximately 1,400 scholarships. We and OMB are currently exploring whether to propose an increase in the program for FY 2000, with a greater percentage (say, 50 percent) going to the scholarships.

JK
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PHOTOCOPY
WITH HANDWRITING

4. Drugs -- Study on Youth Drug Use: HHS released on Friday the 1998 Monitoring the Future study on drug use trends among 8th, 10th, and 12th grade students. The study found, for the second year in a row, a flattening of drug use rates generally, with significant decreases in some categories of use. In the good news department, the study shows: (1) declines among 8th graders in past-30-day use of inhalants (from 5.6 to 4.8 percent) and LSD (from 1.5 to 1.1 percent); (2) declines among 10th graders in past-year use of all illicit drugs (from 38.5 to 35 percent), marijuana (from 34.8 to 31.1 percent), and stimulants (from 12.1 to 10.7 percent), as well as in past-30-day use of marijuana (from 20.5 to 1.7 percent) and cigarettes (from 29.8 to 27.6 percent); (3) declines among 12th graders in daily use of LSD (from 0.2 to 0.1 percent) and cigarettes (from 24.6 to 22.4 percent); and (4) an end to the recent decline in perceived harmfulness of drugs in all grades and an increase in perceived harmfulness of marijuana and drinking among 8th graders. In the bad news department, the study shows: (1) that the use of drugs remains at unacceptably high levels, with for example 25.6 percent of 12th graders, 21.5 percent of 10th graders, and 12.1 percent of 8th graders using an illicit drug (typically marijuana) in the past 30 days; and (2) that cocaine use, while low overall, continues to rise slightly, with for example an increase in past-year use of crack among 8th graders from 1.7 to 2.1 percent.

5. Crime -- Juvenile Brady: You recently asked us how many states have passed laws prohibiting violent juveniles from owning firearms as adults. According to the most recent survey by the Justice Department, 22 states have passed some kind of prohibition on firearms possession by delinquents who have committed violent offenses. Of these states, four permanently prohibit the possession of firearms, six prohibit possession until a court or the Governor orders a restoration of rights, and the remainder prohibit possession for a set period of time (e.g., 10 years) following adjudication of the offense or release from a juvenile facility.

6. Health Care/Tobacco -- Meeting with Senator Kennedy: You are scheduled to meet with Senator Kennedy this week to discuss the FY2000 budget. Among other matters, he will raise the possibility of using tobacco receipts (either from an excise tax or from recoupment of state settlement funds) for a new Medicare prescription drug benefit. Such a benefit probably would cost between 5 and 15 billion dollars a year -- far too much for tobacco receipts to cover in the context of this year's budget. We do believe, however, that a prescription drug benefit is an essential component of any comprehensive reform of Medicare, and that you should indicate your desire to make progress on this issue during the coming year. We are currently considering a way for you to talk about the issue in the State of the Union (which we would like to discuss with you soon), but think it would be premature to raise the idea with Kennedy.

7. Tobacco -- Attorneys' Fees: An arbitration panel last week awarded \$8.2 billion in legal fees to the attorneys representing Florida, Texas, and Mississippi in tobacco litigation. The industry will pay the fees to the attorneys over the next 20 or so years, over and above what it will pay the states. (The industry's annual payments for arbitral judgments are capped at \$500 million per year.) The panel determined the fees by multiplying 10 percent of each

state's settlement by a figure (between 1.9 and 3.5) representing the risks taken and work done by the state's attorneys. The panel used the largest multiplier to calculate fees for Mississippi's attorneys, because they brought the very first tobacco suits. Minnesota's attorneys settled earlier this year for the relative pittance of seven percent of the state's award. Attorneys for the other 46 states have a choice between seeking fees from an arbitration panel and accepting an offer of "liquidated fees" from the industry. Fees for most of these attorneys will be much smaller, reflecting the fact that they did less work and took less risk in bringing their cases.

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

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THE PRESIDENT HAS SEEN

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December 18, 1998

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. *GTF Jr.*

SUBJECT: CEQ WEEKLY REPORT

PROTECTING COMMUNITIES FROM TOXICS

Yucca Mountain

As expected, today the Department of Energy (DOE) released the viability assessment of Yucca Mountain as a nuclear waste repository. The study is a technical status report on both the scientific evaluation of the site, and the design and cost issues.

The Nevada delegation and Governor Miller have been briefed on the assessment by DOE. We expect the delegation to be disappointed that the site has not been disqualified. On the other hand, the assessment will illustrate that scientific uncertainty concerning the site still remains, and the Administration intends to reiterate the veto threat on last year's interim storage legislation.

RESOURCE STEWARDSHIP

CALFED

Today, Secretary Babbitt and Governor Pete Wilson are expected to release the latest proposed framework for resolving water conflicts in California. The "Revised CALFED Phase II Report" outlines a proposed framework for restoring the health of the San Francisco Bay-Delta, while assuring clean, adequate supplies of water for cities and farms in the years ahead. The report reflects important progress made toward consensus but falls short of the draft plan the Secretary and Governor had hoped to release.

We expect the key stakeholders -- environmentalists, urban and agricultural interests -- will express qualified support and remain committed to the process. Governor-Elect Gray Davis has been very supportive of the overall process. We hope to have the full draft plan ready in the spring and will continue to work with Davis toward that end.

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Headwaters Forest

Wednesday night was the deadline for agreement between the Federal government and Pacific Lumber Company (PALCO) on the final parameters of the Habitat Conservation Plan (HCP), but negotiations ended without a resolution. The Administration put on the table strong requirements for the HCP. Claiming that the proposed changes will put them out of business, PALCO opposed these new requirements, specifically two provisions aimed at protecting salmon by creating buffer zones along intermittent streams and laying out stipulations for roads that cross streams.

The ball is now in PALCO's court. We are tentatively planning to publish our final HCP for public comment. It will then be ready to sign in final form in late February. As you know, the appropriation for the deal expires on March 1, 1999, so Hurwitz will need to make a decision by then or lose the money.

Talisman Land Transfer

On Thursday, the federal government closed into escrow on the purchase of the 53,000 acre Talisman property for \$133 million. This development brings us one step closer to completing the promise made by the Vice President last December to purchase the land as part of the Administration's Everglades restoration effort, but more work needs to be done.

Negotiations will continue on trading pieces of the purchased property for additional parcels of land south of the Talisman acreage which are valuable for water storage and filtration. Last week, the Administration and the State of Florida brokered a joint proposal to present to the sugar companies concerning such land swaps, but the negotiations stalled due to Governor Chiles' death. We expect to continue the talks with Governor McKay and the sugar companies before Christmas but prospects are uncertain and negotiations may have to continue under a new Bush Administration.

Homestead Air Force Base

Two environmental groups recently filed an appeal in the third District Court of Appeals in Florida to block the transfer of the Homestead Air Force Base to Miami-Dade County. Last summer the State approved plans to expand the airport for commercial purposes.

On Thursday, the court reversed the State's decision saying that it failed to assure protection of Biscayne Bay and two national parks. The ruling does not kill the project but forces Miami-Dade County to put its plans on hold until the federal government finishes the Supplemental Environmental Impact Statement (SEIS). We will continue to work with the State and County to expedite the SEIS process.