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THE PRESIDENT HAS SEEN

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THE WHITE HOUSE

WASHINGTON

January 30, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Education -- Ed-Flex Legislation: The Republicans on the Senate Health, Education, Labor and Pensions Committee reported out an Ed-Flex bill last week by an 10-0 vote; Democrats on the Committee declined to attend the mark-up because of the pendency of impeachment proceedings. The bill, which Senator Lott listed last week as one of his top priorities, would allow states to waive certain federal education requirements so long as they have academic standards and assessments, school report cards, and a mechanism for intervening in failing schools. You supported a very similar bill last year, as did Senators Kennedy, Dodd, Harkin, and Reed. Although the Committee Democrats (and we) would prefer to address Ed-Flex this year as part of ESEA reauthorization, most expect to vote for the bill when it comes to the floor. (One exception is Senator Wellstone, who will do everything he can to obstruct the bill.) First, however, they will offer a number of amendments designed to place Republicans in a difficult position. At a meeting yesterday, they agreed that these amendments should (1) add to the Ed-Flex bill each of the accountability measures you called for in the State of the Union, including those involving social promotion and unqualified teachers, and (2) authorize your class size reduction initiative for a full seven years. We believe this amendment strategy places us in the best possible position to advance our broad education goals even as the Republicans try to score a quick victory on the issue of local control.

2. Health Care -- Medicare Commission: Democrats on the Medicare Commission, with the exception of Senator Kerrey, remain angry about Senator Breaux's draft proposal and his lack of responsiveness to their criticisms. Other Democrats also have begun to weigh in against the Breaux plan. After last week's Commission meeting, Senator Kennedy delivered a scorching critique of Breaux's premium support approach, as well as his proposals to increase the eligibility age to 67 and require copayments for home health services. We are now working with HHS, OMB, and NEC to develop options for your consideration on Medicare reform.

3. Crime -- National Instant Check System (NICS): A federal district court judge in the District of Columbia last week denied the NRA's motion for a preliminary injunction to block the FBI from retaining records on gun purchasers as part of the NICS. As you know,

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the FBI's policy of temporarily retaining certain records is intended to ensure the integrity and effectiveness of the NICS while protecting the privacy of gun purchasers.

4. Crime -- Gun Show Directive: In response to your November 6, 1998 directive, the Treasury and Justice Departments are ready to submit a joint report to you with their recommendations on gun shows. The report will be released as part of next week's radio address. The report finds that "felons -- and other prohibited persons who want to avoid background checks -- can buy firearms at gun shows and other public markets with ease, and later use the guns in drug crimes and crimes of violence, or pass them illegally to juveniles." This is because non-federally licensed firearms vendors (non-FFLs), who under current law are under no legal obligation to conduct a background check or keep records on their sales, sell between 25 and 50 percent of the guns sold at gun shows.

To close the gun show "loophole," Secretary Rubin and Attorney General Reno recommend: (1) broadly defining "gun shows" to cover not only traditional gun shows but also flea markets and other similar venues where firearms are sold; (2) requiring gun show promoters to register with ATF; (3) requiring the participation of a federally licensed firearms dealer (FFL) in all sales of firearms at gun shows, to ensure that all sales are accompanied by background checks; (4) requiring FFLs to report certain information (e.g., manufacturer, serial number) on firearms transferred at gun sales to the ATF's National Tracing Center and retain this information to assist in future firearms trace requests by law enforcement; (5) developing an educational campaign, in conjunction with the firearms industry, to encourage all firearms owners to ensure that firearms do not fall into the hands of prohibited persons such as criminals or juveniles.

The report also recommends committing more resources to combat illegal firearms sales at gun shows. During the radio address, you will announce that your FY 2000 budget includes \$24 million in new funds to hire over 120 additional ATF agents to bolster firearms enforcement. The new agents will be used to support investigations at gun shows and other firearms investigations, as well as to expand the Youth Crime Gun Interdiction Initiative from 27 to 37 cities. The budget also includes an additional \$5 million for U.S. Attorneys to increase firearms prosecutions.

5. Welfare Reform/Community Empowerment -- Implementation of FY 1999 Initiatives: To complement your announcement last week of welfare-to-work initiatives in the FY 2000 budget, three agencies simultaneously kicked off grant competitions for FY 1999 welfare-to-work funding. The Department of Labor announced the availability of \$240 million in FY 1999 Welfare-to-Work competitive grants, with priority for projects focusing on non-custodial parents or long-term welfare recipients with disabilities, substance abuse problems, limited English proficiency, or histories domestic violence. (This is the third round of competitive grants under the Welfare-to-Work program.) HUD announced the first competition for 50,000 new welfare-to-work housing vouchers, which are available to housing authorities that collaborate with their welfare and workforce partners to assist welfare

recipients to get or keep a job. And HHS announced the first grant competition under the Individual Development Account (IDA) demonstration program you signed into law in October. (At a microenterprise event currently scheduled for February 5th, you will announce that your new budget includes \$20 million for IDAs, which doubles the FY 99 funding level.)

6. Welfare Reform -- New York City Food Stamp and Medicaid Case: A federal district court judge in New York City issued an injunction last week directing Mayor Giuliani's administration to allow "all persons applying for food stamps, Medicaid and cash assistance . . . to apply for such benefits on the first day that they visit a Job Center" and to revise its training and other procedures to ensure appropriate enforcement of the injunction. The judge considered as part of the record underlying his decision the Department of Agriculture's finding (which we reported to you last week) that the City was violating federal food stamp law by not accepting applications on the first visit.

7. Children and Families -- FY 2000 Budget Initiatives: The Vice President and First Lady hosted a series of events last week to announce new budget initiatives relating to children and families. First, the Vice President announced that your FY 2000 budget will include a \$607 million increase in Head Start (the largest increase ever, if enacted) to serve 42,000 additional children. Second, the First Lady announced that your budget will include a new initiative costing \$300 million over five years to provide enhanced support to children who age out of foster care (at 18 years old) without an adoptive parent or other permanent relationship; the funds will provide, among other things, Medicaid coverage and vocational training. Third, the First Lady announced that your budget will include \$67 million in new FY 2000 dollars for childhood asthma research, surveillance, and management. Fourth, the First Lady announced that the budget will include \$40 million to help freestanding children's hospitals finance graduate medical education. Fifth, the Vice President and First Lady met with women's and pro-choice advocates to announce that your FY 2000 budget will include an historic \$25 million increase for Title X family planning services, as well as \$25 million dollars for the United Nations Population Fund (the UNFPA).