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001. report	HUD-Preliminary Community Empowerment Initiatives for FY2000 (2 pages)	09/02/98	P5

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FOLDER TITLE:

Budget-2000-FY-New Ideas-10/98 [1]

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Left from 199
#24 Cuts
#22 raisers

Possible New Tax Cut Proposals

Health:

- Long-term Care #6 bi 2/3 elderly #1000 credit (working on dis def)
- Tax Credit for Disabled Workers #1 bi (2 options - diff def of dis cap)
- Small business/Cooperative
- Not for profit hospitals

Children and Families

- Stay-at-Home Moms
- Marriage Penalty 2 earner credits 2 earner deductions
  - Raise standard deduction for couples.
  - Raise standard deduction for couples with children.
  - Raise standard deduction for all parents.

Education and Training

11:30 mtg 10/30

- Expand Lifetime Learning Tax Credit Gen VP conference
- Lifetime Learning Savings Account * expand above age 30
- Scholarships/Grant aid taxation
- Teacher Quality (K-12) - Mortgage Tax Help for teachers in high poverty areas
- Americorps awards and National Health Service Corps mdeical scholarships
- Worksite based Schools Sec 127 encourage employer training

Urban - Empowerment

- Green Bonds
- CDFI Tax Credit
- Private Activity Bond Cap
- Increase Mortgage Credit Certificates
- Home Ownership Tax Credit

Combine? "Homeownership Tax Incentives"

Research and Experimentation Tax Credit

- Expansion -- research consortia
- Small Business feature

Other:

- AMT Relief Extension
- Extend/make permanent W2W/WOTC/other extenders → check date

(Note: These ideas are in addition to the President's tax cut package)

Tobacco

- Price increase (structure)
- cessation tax treatment

September 8, 1998

MEMORANDUM FOR BRUCE REED
ELENA KAGAN

FROM: Domestic Policy Council Staff

SUBJECT: **Compilation of Preliminary New Ideas**

CHILDREN AND FAMILIES

1. Child Care. Reintroduce the President's child care proposal. This includes: increased funding for the Child Care and Development Block Grant; increased tax credits for working families to help them pay for child care; a fund to invest in programs that support early childhood learning and development; after-school care through the 21st Century Learning Center program; and programs to improve child care safety and quality through a fund to states to enforce standards better, scholarships for child care providers, and additional funding for evaluation and research.

2. Paid Parental Leave. Many workers, including those covered by the Family and Medical Leave Act, cannot afford to take leave at the birth or adoption of a child. This proposal would provide paid parental leave for a limited period of time to working parents with family incomes below a set amount. For example, a new proposal could provide 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. This proposal could use the unemployment insurance system to provide the leave payments, but would be paid for by the federal government.

3. Home Visitation. Home visiting programs, in which a trained professional (such as a nurse) pays routine and intensive visits to pregnant mothers and new parents, have proven successful in strengthening families and improving child outcomes, particularly reducing child abuse. We propose to create a grant program to fund the development or expansion of home visitation programs, with priority given to areas with high rates of child maltreatment.

4. Child Welfare. Each year, thousands of foster children "age out" of the child welfare system; at age 18, children lose their foster care maintenance assistance funding, and many have neither been reunified with their family nor adopted. In the next 3 years, approximately 65,000 children will "age out." We propose increasing by 50% the Federal Independent Living Program (ILP), which assists adolescents aged 16-18 in the foster care system as they prepare for independence. The ILP provides services to help foster care children earn a high school diploma, receive vocational training, and learn daily living skills such as budgeting, locating housing, planning a career, and finding a job. The program was begun in 1984, and has been funded at $70 million annually since 1992. Funds are awarded directly to the States, which receive a base amount by formula and additional funds at a 1:1 match ratio.

5. Child Tax Credit. The 1997 Balanced Budget Agreement created a Child Tax Credit of $500 per child for families. We would propose an expansion of the credit to families with children under three, in order to better support working families. This tax credit may allow some parents to spend more time with children by enabling them to forego some income. The proposal would benefit both families in which both parents work, as well as families in which one parent stays at home. This proposal would roughly cost $5 billion over five years.

6. Home Office Tax Deduction. We propose an expansion of the Home Office Tax Deduction in order to create incentives for parents to work from home so that they may spend more time with their children. This proposal would allow the taxpayer to claim additional expenses of the costs of working from home, such as Internet hook-up costs. It would cut down on commuting time, thereby allowing parents to spend more time with their children. In addition, the tax deduction would help reduce pollution costs associated with commuting.

7. Flex-Time: We propose offering tax credits to all companies that offer a variety of family-friendly benefits, including flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Such a tax credit would enable parents to spend more time with their children by providing companies, both small and large, to respond to the time crunch families are facing. In addition, it builds on our flex-time proposal (which allows workers to take their over-time compensation as vacation time) and family-leave proposal.

8. After-school programs: In order to meet the growing concerns parents have over how their children are occupied in the hours between the end of the school day and the time parents arrive at home, we propose an expansion of our after-school initiative. A poll recently conducted by the Mott Foundation found that 92% of Americans believe there should be organized activity for children after school; 78% strongly share this view. In order to address this growing consensus, we propose first expanding our 21st Century Learning Centers Initiative, which supports school-based after-school programs. In addition, we propose creating a set-aside within the Child Care and Development Block Grant targeted to after-school programs run by community-based organizations.

CIVIL RIGHTS

1. Enhance the CRS program at Justice. The Community Relations Service at Justice has been a significant force in cooling racial tensions in communities all over the country. Since the 1980s, their budget has been decimated. This initiative could (1) enhance CRS's ability to provide mediation services to resolve community civil rights concerns as an alternative to litigation; and (2) provide CRS conflict resolution training and technical assistance to communities. The CRS is very popular with the AG and she often talks of wanting it strengthened.

2. Inter-Agency Task force on Discrimination. This initiative would create an inter-agency task force (headed by the Civil Rights Division at Justice) to expand research on the extent of racial discrimination in the country. The research would focus on developing uniform testing protocols in housing, employment, and access to capital and then using these tools to asses the nature and extent of discrimination in these areas. This effort could be linked to agency compliance and/or enforcement work.

3. Improve Civil Rights Information Sharing. This proposal would provide funds to establish and maintain a system that links the data bases of agencies with civil rights enforcement responsibilities -- thus allowing, for example, OCR at Education to have better access to work being done by the Education Section at Civil Rights.

4. Becoming an American. A national effort to focus on easing the transition to the U.S. for new immigrants. We could provide grants to community-based organizations that fund English and civics classes for new immigrants. Also, we could encourage the development of programs that provide practical transition-type help to new immigrants -- such as understanding the public education system; understanding the housing system, etc. According to the INS, there is a bit of this being done on the community level, but they do not fund any of it. Also, some of the education bits are done by the Dept. of Ed. (adult education and/or literacy), but not in a coordinated way. HHS funds some transition work for refugees. This general idea was first talked about by the Jordan Commission.

5. Sweat-Shop Initiative. Expand enforcement against labor abuses in "sweatshops" and on farms that employ migrant farm laborers. Many of the wage & hour laws in place to protect low-wage workers are not adequately enforced by the Department of Labor, in part because of dramatic reduction in funding for these efforts during the 1980s. These workplaces often serve as places of gateway employment for new immigrants, and thus the abuses disproportionally affect Latinos and Asians.

6. Equal Pay. A program that could be run by the EEOC and DOL to increase outreach to businesses to educate them about the legal requirements for paying equal wages, provide technical assistance, improve training for EEOC employees and resources for increases in enforcement capabilities.

COMMUNITY EMPOWERMENT

1. Access To Capital For All Americans.

•**CDFI Tax Credit.** In 1996, we proposed a tax credit for investors in CDFIs. We could re-propose this $100 million non-refundable tax credit. The maximum amount of credit allocable to a particular investment would be 25 percent of the amount invested.

•**Voluntary CRA.** Launch a bully pulpit effort to encourage non-bank financial institutions to develop and implement principles for community investment.

•**Micro-Enterprise.** Provide authorization and funding for CDFI Fund to provide technical assistance to micro enterprise organizations and micro-entrepreneurs (PRIME Act, Kennedy-Domenici).

•**Secondary Market.** Develop coordinated administration initiative to take first steps towards secondary market for community development loans, including data collection, education, standardization, regulatory review, and the creation of a loan loss reserve fund to back pools of community development loans pooled and sold by the private sector.

•**Fair Lending.** Continue to push the Fed to permit collection of data on race and income of small business borrowers; consider legislation if this fails.

•**Capital Access Programs.** Push to give the CDFI Fund authorization to launch small business capital enhancement program to back state-run loan loss reserve funds that permit banks to make more difficult small business loans.

2. Sustainable Development.

•**Environmental Activity Bonds.** In response to the growing needs of urban areas, an environmental bond would help cities meet the environmental goals set by the Clinton Administration. EPA has identified three areas which would be candidates eligible to receive funding: brownfields, drinking water, urban river/waterfront cleanup, and the creation of parks and other public spaces. Drinking water (as cities need to improve infrastructure to meet the requirements of the Safe Drinking Water Act) and brownfields are two areas that cities continue to seek assistance for financing. Our preference is to be more inclusive and allow municipalities increased flexibility to identify their priorities. However, there should be attention paid to how this financing would intersect with other Administration initiatives like the Clean Water Action Plan, Drinking Water Revolving Loan Fund, and TEA-21.

•**Urban River Corridors and Wetlands Restoration Projects.** EPA proposes urban river corridor and wetlands restoration efforts tailored to improve the human health and economic opportunities in urban communities. To date, EPA has made small grants to a number of cities and municipalities for these types of projects. With additional grants to local communities, the Agency could provide the necessary funding for projects to improve community water resources. These projects would provide employment opportunities for residents, benefit the economic welfare and technical competence of local residents, and empower the community to build for a better future. Restored areas can serve to attract and sustain business as well as provide outlets for recreation.

•**Community Preference and Visualization Tools.** Building the social capital necessary to change transportation and land-use policies to create more livable communities also requires tools that the average citizen can use to understand the implications of major policy choices. EPA proposed to act as a catalyst in the development and use of such innovative decision making tools. The types of tools would include: 1) Community Preference Surveys, which show communities pictures of different neighborhood types, and help the community reach a consensus about the types of development that are desirable; 2) simulation tools, which would get a community "development ready" or help a community experiment with alternatives that have been proposed; and 3) new software, accessible to the public as well as urban planners, to view and evaluate alternative urban designs for any community.

•**Asthma Initiatives.** Through better implementation and new investments, EPA believes the Federal government can take action that will show immediate and long term results to reduce asthma rates among children.

•**Air Quality Credits.** EPA proposes to provide incentives to transportation planning by developing protocols for potential air quality credits toward state attainment plans for locally-initiated strategies and projects that create less auto-dependent communities. Similarly, the Agency proposes to create the next generation of the Clean Air Brownfields Partnership Pilot by continuing and expanding its ongoing efforts to link air quality goals and brownfields/infill redevelopment. After 2000, EPA proposes to partner with cities that have a significant brownfield site in the decision-making phase of redevelopment, work with the city, state, and developer to come up with a project design that maximizes air quality benefits, and allow credit for these activities under the State Implementation Plan.

3. Job Creation in Distressed Communities.

•**Local Infra structural Improvement and Economic Revitalization Fund.** Emil forwarded this idea to establish a Federal grant program to fund local Infra structural improvements. This would spark revitalization of declining or stagnant low-income areas by providing funds to upgrade local infrastructure. These Federal dollars could leverage State, local, and private funds for such Infra structural efforts.

•**Community Revitalization Tax Credit.** LISC proposes a Community Revitalization Tax Credit (CRTC) --similar to the Low-Income Housing Tax Credit --to help stimulate private-sector investment in commercial property in under served neighborhoods.

•**Community Development Corporation Tax Credit.** In 1993, we put in place a demonstration tax credit for investors in 20 CDCs. According to this report for Bruce Katz' shop at Brookings, this program has been effective. We could propose expanding this CDC tax credit to more areas. The author of this report also proposes some changes to make the tax credit more effective.

•**Expand and Rationalize Employer-Side Tax Incentives.** This includes EZs, Welfare to Work, WOTC, DC Jobs Credit.

•**Working Ventures Fund.** Fund one or more national non-profits to fund, evaluate, share best practices, develop networks, and link non-profits to their business community, in the job training and placement field, as LISC and Enterprise do in the housing

•**Community Empowerment Fund.** a) Include targeting for welfare to work projects; b) allow links to venture capital focused on minority-owned or small business in distressed areas; c) eliminate mandatory pledge of CDBG dollars for CEF loans.

•**Metro Jobs/Community Development Corporation (CDC) Links.** Would target job-poor but CDC-served central-city neighborhoods to create or strengthen a welfare-to-work infrastructure that is place-based but people-focused and regional in orientation (where the jobs are). Would build on HUD's Bridges to Work and complement DOL and HHS efforts, focusing on concentrations of assisted housing run by CBOs.

4. Low Income Savings.

•**Asset Development for Section 8 Voucher Recipients.** Currently, an individual still sees the size of their subsidy reduced for each extra dollar he/she earns. This new idea from Liebman and Orszag would roll-over any savings --or a part of the savings --from an individual earning more money into an Individual Development Account (IDA). That is, if the size of a person's Section 8 voucher is reduced by about 30 cents for each extra dollar he/she earns, we could put this savings --up to 30 cents --in an IDA. We could also the capabilities created by EFT '99 to electronically transfer money to efficiently establish IDAs for more Americans.

•**Brownfields Meets Community Development.** Under this proposal, we would push banks to invest in brownfields as part of their CRA commitments.

5. Affordable Housing.

- **Elderly Housing Initiative.** 1) Housing modernization grants to existing elderly housing projects for modernization, physical redesign, and/or conversion to assisted living; 2) Expanded and more flexible service coordinator grants to meet needs of increasingly frail population in public and assisted housing; 3) authority for PHAs to use vouchers for the housing component of assisted living costs.

- **Regional Affordable Housing Initiative**. Targeting regions with severe jobs-housing imbalance and established partnerships for regional collaboration, HUD would provide grants and loan guarantees to support planning, regulatory streamlining across jurisdictions, and development.

- **Vouchers.** An expanded request will focus on incrementals, welfare to work, and homeless.

6. Promoting Homeownership In Distressed Communities.

- **Low-Income Homeownership Tax Credit.** Self-Help --a community group in North Carolina --proposes a tax credit for investors who provide second mortgages to low-income families. This could significantly reduce the barriers to homeownership among low-income families, who do not really benefit from the home mortgage interest deduction.

- **Increase Allocation of Mortgage Revenue Bonds.** Each state receives a supply of tax-exempt mortgage revenue bonds. These bonds help low-income families become homeowners and help develop affordable rental housing. There are currently 53 co-sponsors of legislation in the Senate and 316 co-sponsors of legislation in the House to increase the allocation of mortgage revenue bonds by slightly more than 50 percent and then index it to the rate of inflation.

- **Expand Use of Mortgage Credit Certificates.** Mortgage Credit Certificates (MCCs) are credits against federal income tax equal to between 10 and 50 percent of mortgage interest (to a limit of $2,000 per homeowner) issued by state governments. MCCs count *against* state's ability to issue mortgage revenue bonds. We could propose to expand the MCC program to allow the limit to be $4,000 for homeowners in EZs or ECs. We could also propose allowing states to not have to count MCCs against their mortgage revenue bond base.

- **First-Time Homebuyer Tax Credit.** The 1997 tax law put in place a $5,000 tax credit for first-time homebuyers in the District of Columbia. To boost homeownership in Empowerment Zones, we could propose allowing any first-time homebuyer in an EZ to take advantage of this tax provision.

•**Historic Homeownership Assistance Tax Credit.** The National Trust for Historic Preservation proposes a 20-percent tax credit to homeowners who rehabilitate or purchase a newly rehabilitated historic home and occupy it as a principal residence.

•**Homeownership Vouchers.** Already authorized, would apply rental subsidies to mortgage-related expenses for first-time homebuyers who were Section 8 tenants.

EDUCATION

1. Class Size Reduction. Reintroduce President's proposal to reduce class size in grades 1-3 to an average of 18. Needs to be funded on the mandatory side. If necessary, we could combine this with a teacher quality/recruitment initiative, so that funds in the early years of the program are devoted to (1) incentives for people to enter teaching and/or (2) teacher training and professional development.

2. School Modernization. We've tried this on the mandatory side and we've tried this on the tax side. Assuming we don't get it this year, we've got to try again next year.

3. School Discipline/Safety. We are working on an overhaul of the Safe and Drug Free Schools Program, that will: (1) focus the program on comprehensive, proven approaches to improve school discipline and safety; (2) better target the funds to schools/communities with the greatest needs; and, (3) improve data collection and reporting, including school report cards on safety/discipline issues. Because the program currently spreads (small amounts of) funds around to almost all school, and because of its initial emphasis on keeping schools drug-free, the politics of this program will probably require that any shift in emphasis on greater targeting will require additional resources.

4. Teacher Supply and Quality. Here are three initial ideas for improving teacher quality. The first two came out of our initial discussions on the President's race report. We can decide down the road whether to keep them focused on high poverty schools, or make them more universal. We can also break out particular pieces of them into separate initiatives if we want to:

> • **Make sure there are qualified teachers in high poverty schools**. First, encourage and support state and local efforts to improve the preparation, certification, recruitment, selection, induction, retention, evaluation, reward and dismissal of teachers overall. Support necessary R&D on critical components of an upgraded system, such assessing teacher competence in the classroom. Second, work to end the practice of disproportionately placing and keeping unqualified teachers in high poverty schools. Require states to require prospective teacher to pass basic

skills/subject matter tests (and help them develop more demanding assessments) in order to be licensed Prohibit school districts receiving Title 1 funds from staffing Title 1 funded classes (what about schoolwides???) with unqualified teachers, and bar those without an effective system for teacher evaluation (including removal of incompetent teachers) from receiving Federal (or just Title 1) funds. Require K-4 teachers in Title 1 schools to successfully complete training in teaching reading, and fund the training. Third, help attract and retain the best teachers for high poverty schools. Fund induction and continuing professional development programs in high poverty schools. Provide incentives for Board-certified teachers to teach in high poverty schools.

• **Recruit More Minority Teachers**. Many believe that a major factor influencing children's success in education is role models. Enhance current recruitment programs with effective incentives to attract more minorities to the teaching profession. Minority teachers, administrators, and school personnel serve as role models for minority students and can provide an important link between schools and parents.

•**Establish subject-specific teacher/administrator training institutes/academies/centers in every state.** There are crying needs to train existing teachers in key subject areas, such as reading, technology use, math/science and other academic subject. We should establish subject specific training centers in each state (or perhaps in geographic regions within states). The idea is to create a place, probably at a university, that has the subject-matter capacity and can work with school systems to develop and implement a strategy for ensuring that every teacher who needs it gets high quality, intensive and ongoing training in the subject and how to teach it. This could either substitute for or complement the current teacher training program (Eisenhower Professional Development Program), which provides funds to states and school districts on a formula basis, with broad discretion on how the funds can be used for professional development. We could also establish training centers for principals and other school leaders.

• **Continuing the Troops to Teachers (TTT) program** (due to phase out in Oct 1999). TTT provides stipends to encourage retired military personnel to teach and school districts to hire and train them. TTT attracts more minorities and men into the teaching profession than are traditionally represented, they have background in understaffed subjects such as math and science, and are more willing to teach in inner-city classrooms.

5. Recruiting and Training Principals. Most states and communities lack good strategies for recruiting and preparing individuals with the knowledge and skills to provide the kind of leadership and management schools need right now. We could propose a competitive demonstration program to provide focus, leadership and effective models for the field. This would not be a big-ticket item.

6. Urban/Rural Initiative. This could take two forms. One would be some version of Education Opportunity Zones--a competitive grants program that rewards performance and requires accountability. A second would be to create local performance partnerships, in which local communities agree to create schools that are safe, have high standards and qualified teachers, after-school programs, tutors and other forms of extra help for kids, technology, etc. The districts would be responsible for creating schools with these opportunities, and would be accountable for improving achievement across the board (perhaps as measured against national standards). In return, the districts would (1) be able to combine funds from relevant ED and other programs, so they can figure out the best way to provide the learning opportunities; (2) get extra funding over and above the funding from the existing categorical programs; and (3) gain or lose additional funding based on performance (with some floor established to minimize the risk for districts).

7. Choice Demonstration Program. Establish a demonstration program to challenge states and school districts/cities to expand the range of high quality schools students and families can choose among, thereby enabling students in low performing schools to move to better ones. A variety of approaches should be encouraged, including:

- **Community College Enrollment.** High school students should be permitted to enroll in community colleges, for high school level or college level courses. This step could provide inner city students with access to more qualified teachers, because most community colleges have faculty with subject matter expertise (whereas urban high schools often have teachers teaching out of field). It could also help boost minority enrollment in college. [see if this can build on existing tech-prep programs, or other articulation agreements.]

- **Contract School System.** Transform urban school systems from bureaucracies which operate large numbers of schools into systems in which the local governing body contracts out the operation of each school--to teachers, nonprofits, school management firms, etc. In effect every school becomes a charter school, with a distinct mission, control over its own staffing and budget, and accountable for results. The local school board is responsible for selecting the schools, identifying new types of schools that might be needed and soliciting proposals to operate the school, monitoring the performance of each school and holding it accountable. Under this approach, all schools would eventually be schools of choice.[see Paul Hill's work for background on this]

- **Schools located at large employers.** Encourage large employers to provide facilities on site for schools for children of their own employees, while the school district provides the teachers, curriculum, instructional materials, etc. Dade County's Satellite Learning Centers provide the model for this approach. Dade's experience shows that these schools can (1) be more diverse than other schools, because work sites are more diverse than residential neighborhoods (2) save the school districts the cost of new facilities (3) save employers costs associated with employee turnover and (4) increase parental involvement in the schools.

•Expanding choice through smaller, schools-within-schools. Transform large, impersonal schools into smaller schools-within-schools that would dramatically expand choices within public education for families without requiring students to leave their neighborhoods. Many parents want more choice in education but don't want to send their children to school far from home. This proposal would address that need and enable many more students to get the personalized learning attention that so many families want; it also may reduce discipline and violence problems. A grants program could support networks of schools or school districts to plan and implement this concept and provide information and counseling to help students and their families make good choices. This proposal could be linked or combined with the "contract" schools concept by creating a competitive process to award contracts to manage each school-within-a-school to teachers, non-profits, charter schools, etc.

8. English Language Acquisition. As part of the planned overhaul of the Bilingual Education Program, we should consider a number of initiatives:

• Make every LEP child competent in English within 3 years of obtaining services. English language competency is the key to success in schooling and the economy. ESL and similar services should be made universally available to <u>all</u> students who need them. Federal funding can provide matching grants to States to do this. The requirement--including funding and accountability--for serving LEP kids and helping them become competent in English within 3 years should be built into the Title 1 program. Other programs, such as after-school and technology, should also be designed so that in schools with significant numbers of LEP kids, they are also focused on helping kids learn English within 3 years.

• Support English Plus. In addition to ensuring that all LEP students learn English, we should promote foreign language learning, starting in the early grades, for student's whose native language is English. The objective is to dramatically increase the number of students who leave school fluent in two or more languages, regardless of their native language.

• Support demonstrations of, and if effective greatly expand "Newcomer High Schools" for recently arrived immigrant students. Many school districts are facing an increasing number of secondary immigrant students who have low level English or native language skills, and in many cases, have had limited formal education in their native countries. In order to prevent these students from dropping out (and these children are a significant factor in the 40% Hispanic drop-out rate), these students must learn English, take the required content courses and catch up to their U.S. peers. Some district have developed Newcomer programs --either a separate school or a school-within-a-school. These programs typically educate students for a limited period of time (most for less than two years) before enrolling them in their home schools. Three such schools are 4-year high schools. The programs reach beyond the students themselves, providing classes to orient parents to the U.S. and 63% offer adult ESL classes. There are currently 75 such programs in 18 States and the Center for Applied Linguistics has sponsored an evaluation of their effectiveness.

9. **Quality pre-school education.** We can propose an initiative to make quality pre-school universally available, or at least universally available for poor kids. There should be two key components to this. One is to provide a number of funding streams to pay for it. Head Start should be the base, though we should also look at ways in which Title 1 could play a larger role. Second, we should provide incentives to both preschools and school districts that receive federal funds, to work together to help ensure that the preschools programs are focused on helping kids get ready for school, by requiring the schools to reach out to preschools and let them know what they expect kids to know and be able to do when they come to kindergarten, and by giving the preschools the help they need to provide an appropriate curriculum.

10. **Federal Matching Funds for AP courses and for AP and SAT/ACT Preparation.** The President has made universal access to two years of higher education a priority, and has created ways to alleviate the financial hurdles. A logical next step in improving the quality of access is to make all students more competitive by closing the gaps in advanced course availability as well as SAT and ACT test scores. The Federal government could establish funding matching mechanisms to encourage states to improve access to AP courses and preparation for AP tests in low-income schools; in areas where AP courses are not available, funds could be used for partnerships with community colleges that offer similar courses. Similarly, matched funds could be used to do one of a number of things for SAT/ACT preparation: pay for low-income youth to attend prep courses (e.g., Kaplan; Princeton Review); fund poor school districts to set up their own test prep programs; as in America Reads, waive the federal match for Work Study students who help prepare disadvantaged students for the tests.

11. **"High Hopes" for Adults.** While the President has made enormous progress in making available resources for higher education for people of all ages, the primary focus of Administration informational campaigns and initiatives like High Hopes have been to encourage young people to go to college. A new initiative could combine two efforts. First, the Administration could launch an informational campaign encouraging adults to go back to school and inform them of new resources available to help, including Lifetime Learning and Hope Scholarship Tax Credits, Individual Training Accounts under the new Workforce Investment Act, and Pell Grants (which apparently few realize can be used for part-time students). Second, a new "High Hopes" grants program targeted at adults, partly focused on

encouraging minorities and women to go back to school, could support local partnerships of business, community colleges, labor unions, one-stop centers and others to provide the information and counseling needed to encourage and assist adults to enroll in courses and programs that will help them succeed in their local job market.

12. Encourage High Schools to Offer/Require Service Learning. We should consider expanding the service learning initiative (Learn and Serve) to encourage more school districts to incorporate service into their education programs. The service learning program could be expanded to provide a stronger infrastructure, e.g., service coordinators for high schools, in order to make the service experience both more rewarding and educational for students.

HEALTH

1. Long-Term Care and Medicare Reforms for Elderly, Disabled and Their Families.

- **Long-term care tax credit.** Along with the lack of coverage of prescription drugs, the poor coverage of long-term care represents a major cost burden for the elderly and their families. Long-term care costs account for nearly half of all out-of-pocket health expenditures for Medicare beneficiaries. This proposal would give people with two or more limitations in activities of daily living (ADL) or their care givers a tax credit of $500 (or more, if affordable) to help pay for formal or informal long-term care. This initiative would be coupled with other long-term care policies (e.g., offering private long-term care insurance offering to Federal employees). (Cost: About $4 billion over 5 years, offset by closing some tax loopholes, and would help about 3.4 million people).

- **Offering private long-term care insurance to Federal employees.** Since expanding Federal programs alone cannot address the next century's long-term care needs, the Federal government --as the nation's largest employer --could illustrate that a model employer should promote high-quality private long-term care insurance policies to its employees. Under this proposal, OPM would offer its employees the choice of buying differing types of high quality policies and use its market leverage to extract better prices for these policies. There would be no Federal contribution for this coverage. (Cost: Small administrative costs; OPM estimates about 300,000 participants).

- **Tax credit for work-related impairment expenses for people with disabilities.** Almost 75 percent of people with significant disabilities are unemployed; many of those within the population cite the cost of employment support services/devices, as well as the potential to lose Medicaid or Medicare coverage, as the primary barriers to seeking and keeping employment. This proposal, strongly advocated by your Task Force on Employment of Adults with Disabilities, would give a 50 percent tax credit, up to $5,000, for impairment-related work expenses. It could be a stand alone proposal in the budget or packaged as a long-term care initiative if we decide to defer announcing the long-term care tax credit. (Cost: About $500 million over 5 years, offset by closing tax loopholes, and would help about 300,000 people).

•**New Family Care giver "One-Stop-Shop" Support Program.** About 50 million people provide some type of long-term care to family and friends. Families who have a relative who develops long-term care needs often do not know how to provide such care and where to turn for help. This proposal would give grants from the Administration on Aging to states to provide for a "one-stop-shop" access point to assist families who care for elderly relatives with 2 or more ADL limitations and/or severe cognitive impairment. This assistance would include providing information, counseling, training and arranging for respite services for caregivers. (Cost: About $500 -750 million over 5 years).

• **Adding prescription drug coverage to Medicare** (new policy). The lack of coverage for prescription drugs in Medicare is widely believed to be its most glaring shortcoming. Recognizing the medical community's reliance on prescriptions for the provision of much of the care provided to Americans, virtually every private health plan for the under-65 population has a drug benefit. Medicare's lack of coverage is largely responsible for the fact that drug costs are the highest out-of-pocket cost for three out of four elderly. This burden will only become more acute in the next century as the vast majority of advances in health care interventions will be pharmacologically-based. Responding to this fact, Republicans and Democrats on the Medicare Commission, as well as almost every health care policy expert, are consistently stating that reforming Medicare without addressing the prescription drug coverage issue would be a mistake.. We are developing a wide variety of options, including a means-tested option, a managed care benefit only approach, and a traditional benefit for all beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. (Cost: Varies significantly depending on proposal, but could be $1 -20 billion a year; assumed offset would be Medicare savings, which might more easily be achieved in context of a broader reform proposal).

• **Cancer clinical trials demonstration** (FY 1999 budget; not passed). Less than three percent of cancer patients participate in clinical trials. Moreover, Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. This proposed three-year demonstration, extremely popular with the cancer patient advocacy community, would cover the patient care costs associated with certain high-quality clinical trials. (Cost: $750 million over 3 years).

• **Redesigning and increasing enrollment in Medicare's premium assistance**

program (extension of July executive action and new policy). Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through the new, BBA provision that is supposed to help higher income beneficiaries. We are developing a range of proposals that build on the President's actions in this area to better utilize Social Security Offices to educate beneficiaries about this program, to reduce administrative complexity for states and to give them incentives to engage in more aggressive outreach efforts. (Costs vary depending on policies; probably about $500 million to $2 billion over 5 years).

2. Health Insurance Coverage Expansions.

• **Providing new coverage options for people ages 55 to 65** (FY 1999 budget; not passed). Americans ages 55 to 65 have a greater risk of becoming sick; have a weakened connection to work-based health insurance, and face high premiums in the individual insurance market. This three-part initiative would: (1) allow Americans ages 62 to 65 to buy into Medicare, through a premium designed so that this policy is self-financed; (2) offer a similar Medicare buy-in to displaced workers ages 55 and over who have involuntarily lost their jobs and health care coverage; and (3) give retirees 55 and over whose retiree health benefits have been ended access to their former employers' health insurance. A proposal such as this would be minimally necessary for any serious consideration of proposals to raise Medicare's eligibility age. (Cost: About $1.5 billion over 5 years, which would assist about 300,000 people).

•**Health coverage for the temporarily unemployed** (FY 1997 and 1998 budgets; not passed). Because most health insurance is employment based, job changes put families at risk of losing their health care coverage. Many families do not have access to affordable health insurance when they are between jobs because they work for firms that do not offer continuation coverage or cannot afford individual insurance. The proposal would provide temporary premium assistance for up to six months for workers between jobs who previously had health insurance through their employer, are in between jobs, and may not be able to pay the full cost of coverage on their own. (Costs depend on whether it is done as a demo (about $2.5 billion over 5 years, which would help about 600,000 people) or nationwide (about $10 billion over 5 years, which would cover about 1.4 million persons)).

• **Children's health insurance outreach** (FY 1999 budget; not passed and new policy). By the first anniversary of CHIP, we expect about 45 states to have CHIP plans approved. These new expansions have great potential to help uninsured children, but not if families do not know or understand the need for insurance. Moreover, over 4 million uninsured children are eligible for Medicaid today. Last year's budget included several policies to promote outreach, including allowing states to temporarily enrolling uninsured children in Medicaid through child care referral centers, schools, etc; and allowing States to access extra Federal funds for children's outreach campaigns. An additional proposal is to pay for a nationwide toll-free number that connects families with state eligibility workers. NGA is sponsoring this line for one year only; such a line is essential for the nationwide media campaign that we are planning to launch in January with the NGA and America's Promise (Colin Powell's group). (Cost: Between $400 and $1 billion over 5 years.)

• **Parents of children on CHIP** (new policy). Since children who are uninsured usually have parents who are uninsured, an easy way to target uninsured adults is to extend eligibility for Medicaid or CHIP to parents of children covered by these programs. This has been done successfully in some states, through Medicaid 1115 waivers, and would be a logical next step to covering low-income adults. (Cost: Depends on the proposal and assumed take-up rates by the states).

• **Optional state coverage expansion through eligibility simplification** (new policy). In the wake of welfare reform, Medicaid eligibility rules have become even more complex since states must cover people who would have been eligible for AFDC under the old rules. Additionally, Medicaid law allows states to cover parents but not adults without children --even if they are very poor. This proposal would allow states to opt for a pure poverty standard for Medicaid eligibility for all people (like we do for children) rather than the old categorical eligibility categories. Not only would such an approach simplify the Medicaid program for families and states; it would provide an opportunity for significant coverage expansion. While any change in Medicaid almost always raises concerns amongst some advocates, this proposal would be strongly supported by the Governors and advocates such as the Center for Budget and Policy Priorities. (Cost: Depends on the proposal and projected coverage expansion take-up rates).

•**Voluntary purchasing cooperatives** (FY 1997, 1998, and 1999 budgets; not passed). Workers in small firms are most likely to be uninsured; over a quarter of workers in firms with fewer than 10 employees lack health insurance —almost twice the nationwide average. This results in large part because administrative costs are higher and that small businesses pay more for the same benefits as larger firms. This proposal would provide seed money for states to establish voluntary purchasing cooperatives. These cooperatives would allow small employers to pool their purchasing power to try to negotiate better rates for their employees. (Cost: about $100 million over 5 years).

3. Increase the Indian Health Service budget. In order to reach more of the targeted population, we should provide a significant increase to the IHS budget in order to address areas such as substance abuse, elder health care, injury prevention, domestic violence and child abuse, and sanitation facilities.

HOMELESS

1. Homeless Veterans. The National Coalition of Homeless Veterans estimates that there are as many as 275,000 homeless veterans on any given night. According to the Department of Veterans Affairs, an approximately $60 million increase in funding would constitute the single largest investment into breaking the cycle of homelessness among veterans. This proposal would seek to increase residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing. The VA estimates that this proposal would positively impact approximately 100,000 to 150,000 veterans annually.

2. Allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans. OMB proposes to amend the Property Act of 1949 to create a 5-year pilot project for the VA to sell off property with 10 percent of the proceeds going to local homelessness projects under the McKinney Act (with this 10 percent being earmarked for homeless veterans) and the other 90 percent going to the VA for capital funds (buildings, equipment, infrastructure, but not staff). Currently, the way the law works is that all the proceeds from surplus property goes to homelessness, but this has not provided an incentive to the agencies to sell property because they do not get to keep any of the proceeds. OMB states that since 1989, only one piece of property has been sold under this provision. OMB will be circulating their proposal within a couple of weeks. OMB would propose to permit VA to sell 25 pieces of property, but does not have a cost estimate yet.

3. Homelessness Demonstration Project Modeled after TANF. Funds could be set aside in the FY2000 budget to create a demonstration project so that one state, region, or locality could try to move persons from homelessness to self-sufficiency. The demonstration project should set up performance goals similar to TANF so that there is a measure of how many persons have been made self-sufficient. There could be a performance bonus for the demonstration project if the goal of the project is met.

4. Medicaid Outreach Project for Homelessness. A Medicaid outreach project could be set up, similar to the CHIP outreach project, that would reach out and cover homeless persons. We should develop a cost estimate to determine that, over time, dollars would be saved if persons are treated under Medicaid rather than on an as-needed basis in emergency rooms and clinics. This idea could be expanded to reach out to more than simply the homeless population to include all groups who are Medicaid-eligible.

TOBACCO

1. Tobacco Counteradvertising. Fund a $200 million per year tobacco counteradvertising and education Campaign, as proposed in the President's 1999 budget and McCain legislation. This campaign would develop counteradvertising and purchase enough media time to reach teens at least four times a week. The campaign would also fund an extensive school-and community-based anti-tobacco education campaign.

2. Industry Documents. As the result of the President's directive, we expect to receive a plan from HHS in October outlining how to make tobacco industry documents more accessible to the public. Follow up work will be needed to implement this plan. While we can probably secure some private funding for this purpose, it is likely that federal funding will also be needed.

3. Tobacco Cessation. Each year, 20 million smokers attempt to quit, but only 1 million, or 5 percent, succeed. More than 90 percent smokers who attempt to quit do so on their own, and the vast majority fail within 2 to 3 days. However, research shows that effective cessation methods could raise success rates to 10-20 percent (over 2 million people annually). The Agency for Health Care Policy and Research (AHCPR) endorsed 5 smoking cessation methods that have been proven to be effective in helping people to quit: gum, patch, nasal spray, inhaler, and pill (Zyban). A full course of these treatments costs around $200-300 (for a three months supply, without counseling). However, less than half of managed care organizations provide coverage of any AHCPR-approved therapies, and those that provide coverage may impose cost-sharing requirements that hinder access to treatment. In fact, a study of managed care in Washington State found that eliminating copayments for smoking cessation services significantly increased participation rates.

These proposals to help current smokers quit could be coupled with our continued call for comprehensive legislation to stop children from smoking before they start. Total combined cost of all these initiatives: $855 million over 5 years. We could make a series of proposals, some part of the budget and some not: (1) Fall --announce new DOD anti-tobacco plan, and new DOL and OPM tobacco-free workplace programs; (2) Winter --propose Medicaid and Veterans coverage of cessation benefits through FY2000 Budget; and (3) Spring --tax coverage of cessation as a medical expense and expanded coverage of cessation benefits in FEHBP.

- **New Department of Defense anti-tobacco plan.** This plan is still being vetted at the agency but 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: $60 million per year.

- **Anti-tobacco workplace initiatives by DOL and OPM.** DOL could expand its drug-free workplace initiative to provide information to employers on steps they can take to reduce tobacco use among employees (cost: $63,000 per year). OPM could disseminate a model workplace cessation program for all federal agencies (agencies would use existing appropriated funds).

• **Medicaid coverage.** Currently, smoking cessation prescription and non-prescription drugs are optional state benefits under the Medicaid statute. We could propose to require states to cover cessation, as the McCain bill did (CBO estimated cost: $120 million over 5 years, HCFA estimated $114 million). Alternatively, we could propose an enhanced federal matching rate for smoking cessation treatments, in order to offer the states an incentive to cover these services. The Hansen-Meehan bill establishes a 90 percent match rate for state costs of smoking cessation services at an estimated cost of about $110 million over 5 years. Currently, 23 states cover Zyban, 6 states cover non-prescription treatments, and 5 states cover cessation counseling. A study by the Center on Addiction and Substance Abuse at Columbia University found that over 42 percent of Medicaid recipients smoke, as compared to 25 percent of the general population and that nearly 10 percent of all Medicaid hospital days are attributable to smoking.

• **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.) The VA would contract with private sector entities to furnish AHCPR-approved services to interested veterans. OMB estimates that this proposal would cost $87 million for the first year, and $435 million over 5 years. Thirty-six percent of the 25 million veterans in this country smoke.

•**Tax Treatment.** Currently, the cost of cessation treatment cannot be claimed as a deductible medical expense because the IRS does not recognize smoking or tobacco addiction as a "disease." The IRS has indicated in written opinions that an official medical authority classification of smoking as a disease would allow cessation to deduct these expenses. Treasury is interested in pursuing this in 1999. This would be done outside of the budget.

• **Federal Employees Health Benefit Program.** We could require enhanced coverage of smoking cessation services. One option is to raise coverage limits to more accurately reflect the cost of AHCPR-approved treatments, and to raise the number of treatments allowed per lifetime to account for the fact that the average smoker requires three to five cessation attempts before they successfully quit (i.e., require coverage of $300-400 per treatment, with three maximum treatments covered per lifetime). Another option is to waive the deductible and copayment requirement for cessation benefits. Currently FEHBP fee for service plans, which cover 70 percent of beneficiaries, are required to provide only $100 in smoking cessation benefits. Generally, this coverage does not kick in until after the calendar-year deductible has been met, and most plans restrict benefits to once per lifetime. Many plans only cover prescription drugs. HMO coverage of smoking cessation benefits varies greatly. This would be done outside of the budget, but would have to occur in the spring as part of OPM's annual letter to contracting plans, establishing the terms for the following year of coverage.

In addition to these efforts, any Medicare prescription proposal (see above) should include coverage of prescription cessation agents.

4. Expanded SAMHSA Survey. As the result of the President's directive, HHS will be including questions in their National Household Survey on Drug Abuse regarding brand-specific use of tobacco. This will allow us to determine which brands are most popular among youth, and help us identify which companies may be marketing to this population. Some federal funding will be necessary to support this expanded effort.

WELFARE

1. Helping the Hardest-to-Employ Get and Keep Jobs.

Extend Welfare-to-Work Grants and Strengthen Focus on Fathers. Funding for the $3 billion grant program that the President fought for in the Balanced Budget Act ends in FY 1999. These funds are targeted at the hardest-to-place welfare recipients, and non-custodial parents of children on welfare, and at concentrated areas of poverty. 75% of the funds are allocated to states, who in turn pass them to local Private Industry Councils and 25% of the funds are available on a competitive basis. We expect DOL to propose extension of the grant program in their FY 2000 budget proposal. We should consider revising the statutory language to increase the focus on increasing employment of fathers. While there is a significant level of interest in serving this population, there is likely more we could do to increase the quantity and quality of services. This should also increase support from the Ways & Means committee as Shaw is very interested in fatherhood issues. Possible approaches include requiring states and communities to designate a minimum portion of WTW formula funds for fathers, setting aside a portion of competitive grant funds for this purpose, or earmarking funds for needed technical assistance and capacity building on this relatively new area. Other changes worth considering: shifting more funds toward competitive grants, increasing tribal set aside (currently 1%), and streamlining data collection requirements. Assuming level funding, this would cost $1.5 billion annually.

- **Request Additional Welfare-to-Work Housing Vouchers.** We are unlikely to get the full 50,000 housing vouchers requested for FY 99. This approach continues to have merit, both in helping families move from welfare to work and as a catalyst for changing the way local housing authorities, and HUD, do business. Cost to fully fund 50,000 vouchers is $283 million. Some, including Deich and Edley, have also suggested allowing housing authorities to convert Section 8 vouchers that are turning over to the more flexible approach of the WTW vouchers.

- **Invest in Increasing English Language and other Literacy Skills.** There is evidence that those with low education levels have a harder time leaving welfare. There is also emerging evidence that English language may be a barrier for some minority welfare recipients, including immigrants. We may want to explore whether there is more the federal government could do to increase access to ESL and other basic education that is combined with work, though this does not necessarily have to be done with TANF funds. We need to first explore what is available, whether there are successful models that can be replicated, and what the demand is.

2. Helping New Workers Succeed in the Workforce/Achieve Self-Sufficiency.
There are several ways to ensure people moving from welfare to work can get to their jobs:

- **Request full $150 million authorized for Access to Jobs for FY 2000 (TEA-21 set guaranteed funding from the Highway Trust Fund at $60 million for FY 2000).** This would allow DOT to fund more competitive grants. Note these funds can be spent on current and former welfare recipients, as well as families up to 150% of poverty so they help the working poor as well.

- **Donate surplus federal vehicles to welfare to work programs.** These could be given, leased, or sold to current and former welfare recipients for whom public transit it not a viable option, including those living in rural areas. Cars could be allocated through community-based organizations or intermediaries. This could be modeled after the initiative to donate federal computers to schools.

- **Help former welfare recipients access funds to purchase cars.** In some areas, public transit is not a viable option for a family moving from welfare to work. In addition, owning a car is something many poor families aspire to, and something that helps them become part of the economic mainstream. Family Services of America, and other organizations, currently offer revolving loans for low income families to purchase cars. FSA's model currently operates in 20 sites and is scheduled to expand to 60 sites later this Fall, with partial funding from foundations and private financial institutions. They are also seeking federal funding to help with this expansion. Possible sources include: HUD, Treasury, DOL WTW grants, as well as existing federal and state TANF funds. Another option is to expand allowable uses of IDAs to include purchasing a car needed to go to work.

- **Connection between TANF and Unemployment Insurance.** There is growing interest in exploring the relationship between these two systems. Historically, few welfare recipients have qualified for UI, and some have essentially used AFDC as a form of unemployment insurance. As more welfare recipients joining the labor force, we need to consider the most appropriate way to provide income support to them between jobs. Various approaches include: (a) changing rules of the UI system that make it hard for former welfare recipients to qualify for UI once they go to work and in the event they lose a job and (b) creative uses of federal TANF or state MOE funds to provide income support to people in between jobs. Either approach should be accompanied by a strong effort to promote job retention and rapid re-employment. This could be considered as part of a more comprehensive UI reform initiative that NEC has been considering, but it would not depend on that. NOTE: NGA has a grant to explore this issue and several states are trying innovative approaches. While we do not have to frame the issue in terms of planning for economic downturns, it seems prudent to address this issue earlier rather than later.

• **Optional State Coverage Expansion Through Eligibility Simplification** (see Health section).

•**Transitional Medicaid.** Families can currently receive Transitional Medicaid for up to 12 months after leaving welfare, but only about 20 to 30 percent of eligible families are enrolled. The program has many procedural hurdles that make it more difficult to access than regular Medicaid coverage and the 12 months transitional period is too short for many families. The budget could eliminate some of the current prescriptive reporting requirements now in the law (that, for example, requires families to report earnings in the fourth, seventh, and tenth months of coverage and divides the 12 months of coverage into two 6 month segments with different co-pay and benefit rules) and allow states to provide a full 12 months of coverage without regard to changes in family circumstances, similar to the 12-month option for children that was adopted in the Balanced Budget Act. In addition, the budget could provide states the option of extending transitional Medicaid to 24 or 36. These ideas need to be fully discussed, vetted, and costed out. The current program reauthorization sunsets in 2001.

•**Extend the Work Opportunity Tax Credit and Welfare-to-Work Tax Credits** (WOTC has already expired and WTW will expire in 1999).

DISABILITY POLICY

1. Expanding the Defense Department's "CAP" program. The Defense Department's Computer Accommodations Program ("CAP") purchases equipment for DOD employees with disabilities to allows them to keep working if they become disabled, or for new employees just joining the workforce. By using a central $2 million fund for such purchases, individual offices do not have to bear the cost within their own budgets, and are less likely to be deterred from hiring a person with a disability. CAP is also able to get better prices on equipment through its bulk purchases and expertise. It has a showroom to help employees try out appropriate adaptive devices (CAP makes the decision on what equipment is purchased, not the employee). It has provided over 9,000 accommodations since its inception in 1990. This program is a good example of how employers and employees are taking advantage of new (and increasingly cheap) technology, such as computers for the blind that talk and listen, and alternative computer keyboards for people with dexterity problems, that allow people with disabilities to work. Expanding the program has the strong support of the Administration's appointees with disabilities, in particular for Tony Coelho, chair of the President's Committee on Employment of People with Disabilities.

Defense has estimated that it would cost $8 million a year to expand CAP government-wide, but this is likely overstated since CAP now serves the entire Defense Department for $2 million a year. A more realistic range is $2 -5 million a year. While having DOD perform this service for all federal employees is a bit unusual, they have a great deal of expertise at this task and they are ready to take on the added responsibility.

2. Tax Credit for Disability Related Expenses. [See "Health" section, above.]

3. New BRIDGE grant program. This program would provide incentives for state and local agencies and private organizations to form interdisciplinary consortiums of service providers (employment, health, transportation, etc.) to better assist people with disabilities in going to work. NEC and DPC will receive revised proposal shortly from the President's Task Force on Employment of People with Disabilities and will evaluate and vet. Estimated cost for this three-year grant program is $150 million a year.

4. Information and Communication Technologies for People with Disabilities. NEC has developed draft proposals now being vetted to ensure that new technologies will be designed from the beginning to be accessible to people with disabilities. Ideas include leveraging federal government procurement, investing in R&D, funding industry consortia, training the next generation of engineers, etc. (Tom Kalil is working on this, coordinating with DPC and OMB).

NATIVE AMERICANS

1. Create Native American Program at the Army Corps of Engineers. The Army Corps has a modest $2 million proposal that would institutionalize Native American outreach within the Army Corps. Here is the proposal:

- **Outreach ($1.5 million).** Market engineering, environmental, economic, project management, real estate, and resource management services to Tribes.Using existing workforce of 150 cultural-historical-Tribal specialists for support, establish Tribal Coordinators (1 per Corps of Engineers Division, 8 Divisions).Establish an Indian Desk in Corps Headquarters to work with Tribes, BIA, Corps districts (37) and divisions (8), and other federal agencies to leverage resources/programs.

- **Training ($250,000).** Complete consultation guidelines.Complete Commander and senior leader video on Tribal matters. Develop a strategy for empowering Tribes nthe areas of regulatory and natural and cultural resource management.

- **Partnerships ($250,000).** Explore watershed planning opportunities with Tribes.Link to Clean Water Action Plan Activities.Develop model MOUs that can be used with Tribal Governments on strategies, protocols, and processes for addressing issues.

CRIME AND DRUGS

1. Crime Bill II. While the 1994 Crime Act is set to expire at the end of FY 2000, we should get ahead of the crime debate by including an outline of Crime Bill II in next year's budget that emphasizes and builds on key Clinton crime initiatives. This includes: extending COPS; establishing community-based prosecutors, courts, and corrections; promoting targeted deterrence for guns, gangs, etc.; funding drug testing and treatment for all persons under criminal justice supervision; reauthorizing VAWA; creating police youth academies; and other new crime programs.

OMB has already built $4.8 billion into the base for continued crime funding over the next 5 years, but this only includes $400 million of the $1.4 billion we have been spending on COPS and continued funding for other popular crime bill programs (i.e., VAWA, prisons, federal law enforcement, etc.). Thus, to keep crime bill funding at its current level --and to allow us more flexibility in proposing new programs --we will need $1 billion more in the FY 2000 budget.

2. Expansions of Youth Crime Gun Interdiction Initiative (YCGII). This year it looks as though we will succeed in getting $28 million in funding for President's YCGII initiative to trace all crime guns and hire more ATF agents to crackdown on gun traffickers in 27 cities. We should follow-up in the FY 2000 budget by expanding the YCGII to all cities with populations of more than 250,000. This would cost about another $35 million. NB: Currently, treasury is only planning to propose adding another 10 cities in next year's budget..

3. Expand Values-Based Initiative. At a minimum, we should seek funds in FY 2000 to continue the Administration's values-based crime prevention initiative in 16 cities --as well as to expand it to another 20 to 30 cities. This would only take about $5 to $10 million annually and could come from Crime Bill II funds if necessary. More importantly, however, we should propose changes to existing crime prevention and drug treatment programs to ensure that faith-based organizations are allowed to participate --and that common sense values are included.

4. Drug Treatment Parity. A long overdue policy change that we should consider embracing in this year's budget is to require health insurers to guarantee some type of meaningful substance abuse coverage --much akin to what the Administration supported for mental health benefits.

5. School Shooting Response Fund. In our recent meeting with the communities impacted by multiple school shootings, one of the key recommendations made by all of the local leaders was that the federal government should establish an emergency fund that would allow communities that are overwhelmed by multiple victimizations to have the resources they need to facilitate the short-and long-term response. This includes year-long support for increased security and enforcement, investigations, media response, additional counselors, and other such costs.

CONSUMERS

1. Consumer Bill of Rights. A consumer bill of rights could address a number of areas such as enforcement, notice to consumers, and dissemination of information. We could announce this bill of rights as a package, but then pull out separate pieces for separate events like we do in the Patients' Bill of Rights area. We could include a number of different areas such as the following:

- **Auto Insurance Fraud.** Auto insurance fraud is a $13 billion-a-year problem in America. We could propose significant funding for a Justice Department anti-auto insurance fraud. Since an estimated 13 percent of auto-insurance premiums go to pay for fraud, we could claim that this effort will help drive down auto-insurance premiums.

- **Slamming/Cramming.** Cramming, in which con artists add bogus charges to consumers' telephone bills, and slamming, the unwanted switching of long-distance telephone service from one carrier to another, and are the top two respective complaints reported to the National Fraud Information Center in 1998. In 1997, the FCC received more than 20,000 complaints from customers who were slammed. So far, the FCC has fined slammers, announcing a $5.7 million fine this year, and announced voluntary guidelines for cramming that local telephone companies say they will follow. We could add money for enforcement to the FCC and/or DOJ. In May, the Senate overwhelming passed legislation that would impose new penalties on slammers and would eliminate common slamming methods, such as contest entry forms that, when signed by unsuspecting customers, authorize a switch of their long-distance carriers.

- **Telemarketing Fraud.** Telemarketing fraud is among America's worst white-collar crimes, robbing unsuspecting victims of an estimated $40 billion per year. We could increase the FBI budget to increase investigations of this type of fraud. Recently, the Washington Post reported that volunteers from the American Association of Retired Persons (AARP) work undercover for the FBI, posing as potential victims to catch telemarketers on the prowl. Because telemarketing fraud often is targeted against the elderly, we could combine this piece with the elder abuse in a separate event.

- **ATM Proposal.** Weinstein proposes that Treasury publish an annual report on consumer financial issues, including ATM fees.. In each report, Treasury would provide a list of insured financial institutions based on geographic divisions and by size. Treasury would report on the following categories: (1) Fees charged to depositors at ATMs at their home branches; (2) Fees charged by institutions to depositors using other banks ATMs; (3) Fees charged by ATM networks; (4) ATM fees charged to non-member depositors by institutions; (5) Minimum deposit requirements for checking and savings accounts; (6) Fees for overdrafts; and (7) Checking account fees. We will need to develop categories which underscore the differences in types of accounts. If we just list checking account fees, the fees that aren't reported would increase.

ADDRESSING SPATIAL MISMATCH: CURRENT AND PROPOSED ADMINISTRATION PROGRAMS

This list generally includes only those programs whose primary purpose is to either 1) create jobs in or otherwise revitalize disadvantaged communities; or 2) enable individuals now in those areas to obtain jobs elsewhere. The list does not include education, training or civil rights programs.

(P) = proposed, as opposed to existing

1. Facilitating commutes to available jobs

Bridges to Work. A five-city demonstration project that provides transportation and supportive services to link central city residents to suburban jobs.

(P) *Access to Jobs.* The Administration proposed, as part of its ISTEA reauthorization package, $100 million per year for six years to assist States, local governments, and non-profits in planning and implementing new transportation services such as van pools to link welfare recipients and other economically disadvantaged persons to jobs. TEA-21, the new transportation legislation, authorizes $150 million per year for Job Access and Reverse Commute grants (no more than $10 million for the latter). The level of guaranteed funding is, however, much lower (e.g., $50 million in FY 1999).

2. Promoting moves to areas with jobs

Moving to Opportunity. A five-site demonstration project designed to evaluate the impact of helping low-income families move from public housing in high-poverty, inner-city neighborhoods to low-poverty communities within the same metropolitan area. The experimental group received Section 8 certificates or vouchers usable only in census tracts with a poverty rate below 10 percent.

(½ P) *Regional Opportunity Counseling.* Under this program, public housing authorities partner with nonprofits to provide counseling to Section 8 certificate and voucher holders, to ensure that they are aware of the full range of housing options. HUD allocated $36.7 million for the 16 regional opportunity counseling sites in FY 1996, and the Administration requested but did not receive an additional $20 million for FY 1998 to expand the program to additional sites. The Administration in the FY 1999 budget has renewed the request for $20 million for regional opportunity counseling.

(P) *Incentive to Reduce Poverty Concentrations of Housing Certificate and Voucher Families:* The FY 1999 budget includes language giving the Secretary of HUD the option to provide bonuses to PHAs for increases in the number of Section 8 voucher and certificate holders moving to lower-poverty areas.

(P) *Welfare-to-work Housing Vouchers.* The FY 1999 budget includes $283 million for 50,000 new vouchers exclusively for people who need housing assistance to make the transition from welfare to employment.

3. <u>Increasing access to capital</u>

Enhanced Enforcement of the Community Reinvestment Act. The Act (CRA) requires depository institutions to meet the banking/credit needs of all the residents of the communities in which they operate. Performance with regard to CRA is taken into account when a bank or thrift submits an application -- e.g., for a merger or acquisition.

CDFI Fund. The Community Development Financial Institutions (CDFI) fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities by supporting community development banks, loan funds, credit unions and venture capital funds. The Administration proposes $125 million for CDFI in the FY 1999 budget, an increase of $45 million over the FY 1998 level.

4. <u>General community revitalization</u>

Empowerment Zones. OBRA 1993 created nine empowerment zones (six urban and three rural) and 95 enterprise communities (65 urban and 30 rural). Businesses in the first-round empowerment zones are eligible for the following tax incentives: 1) a credit equal to 20 percent of the first $15,000 in wages paid to a zone resident who works in the zone; 2) an additional $20,000 in section 179 expensing (section 179 expensing is limited to small businesses and applies to, e.g., durable equipment); 3) tax-exempt facility bonds. Enterprise communities are eligible for the bonds only. These first-round empowerment zones also received either $100 million (urban zones) or $40 million (rural zones) in flexible grant funding usable for housing development, job creation, job training and social services, among other activities. Each EC received $3 million in such funding.

The Taxpayer Relief Act of 1997 created an additional 20 empowerment zones (15 urban, 5 rural) with a different menu of tax incentives (no wage credit, eligibility for the new brownfields tax incentive described below, modified versions of the Section 179 expensing and tax-exempt facility bonds provisions). These second-round zones were not provided with flexible grant funding last year.

The Administration's FY 1999 budget includes $150 million for ten years in mandatory funding for second-round urban EZs -- $100 million per zone. The budget also provides similar flexible funding ($20 million per year for ten years) for the five second-round rural zones -- $40 million per rural zone.

Community Development Block Grant. CDBG funds are provided to entitlement cities (generally, cities in MSAs with a population of 50,000 or more and central cities of MSAs with a population below that level?), urban counties, and States for community and economic development activities, including job creation, provision of public facilities or services and residential housing rehabilitation.

Section 108. Under CDBG, Federal loan guarantees are provided, through Section 108, for private market loans used by CDBG communities to cover the costs of real property acquisition, housing rehabilitation and economic development activities.

(½ P) *Economic Development Initiative* (EDI). The Administration's FY 1999 budget requests $400 million for EDI, to leverage private sector funding for job-creating projects. In 1998 Congress funded EDI at $138 million, including $100 million for Congressionally earmarked projects. EDI funds allow communities to make greater use of HUD's Section 108 loan guarantee program. Under Section 108, HUD guarantees notes held by communities. In return for the HUD guarantees, communities are required to pledge their future CDBG funds as collateral for the Section 108 loans, making some reluctant to access the 108 program. EDI funds can be used to write down interest rates or reduce project costs, thereby making more projects feasible and reducing the risk of a community's defaulting on a Section 108-backed loan.

The Administration plans to use EDI and Section 108 guarantees together to stimulate creation of a true secondary market in economic development loans, by standardizing the underwriting criteria for Section 108-backed project loans and by pooling these loans. This would build on such secondary market activity already underway.

Brownfields Tax Incentive. Under this provision, enacted as part of the Taxpayer Relief Act of 1997, expenses incurred cleaning up contaminated former industrial sites in disadvantaged areas can be deducted immediately, rather than written off over time. This inventive should accordingly encourage redevelopment of these sites. Disadvantaged areas include EZS and ECs, EPA Brownfields pilot sites and census tracts with a poverty rate of 20 percent or higher.

EPA Brownfields Pilots. This program provides funding to selected communities for assessment and planning regarding brownfields cleanup.

HUD Brownfields Redevelopment. This program, for which $25 million was provided in FY 1998, makes competitive grants available to communities for redevelopment of cleaned-up brownfields.

Economic Development Administration (EDA). EDA provides grants for public works facilities and planning and consolidation assistance needed to alleviate persistent unemployment and underemployment. The public works grants, for example, support infrastructure projects that promote the establishment or expansion of industrial and commercial businesses in high-unemployment, lower-income areas.

In 1999 EDA will create a new Office of Community Adjustment Assistance. This office will serve as the Federal government's first point of contact with communities adversely impacted by trade agreements and/or major plant closings and will coordinate rapid assistance from a host of Federal agencies. The $50 million in increased funding requested would also provide for additional planning and implementation grants to allow affected communities to begin the process of economic recovery and growth.

(P) *Regional Connections*. This initiative, which would be a set-aside within CDBG, would provide funding to metropolitan areas in which a distressed central city and more affluent suburbs together craft regional development strategies. It could complement efforts by the President's Council on Sustainable Development to help regional coalitions in many metropolitan areas manage growth and address other issues requiring regional cooperation.

5. Promoting access to jobs for disadvantaged populations

Work Opportunity Tax Credit. This credit is currently provided to employers for hiring individuals from certain disadvantaged target groups. The credit is 25 percent of wages for employment of at least 120 hours but less than 400 hours and 40 percent for employment of 400 or more hours. The maximum amount of qualified wages is $6,000.

Welfare-to-Work Tax Credit. This provision, established by the Taxpayer Relief Act of 1997, gives employers an added incentive to hire long-term welfare recipients by providing a credit equal to 35% of the first $10,000 in wages in the first year of employment, and 50% of the first $10,000 in wages in the second year, paid to new hires who have received welfare for an extended period. The credit is for two years per worker to encourage not only hiring, but also retention.

6. Community revitalization through affordable housing creation

(P) *Higher cap on the low-income housing tax credit.* The IRS allocates annually to each State an amount of low-income housing tax credits equal to $1.25 per resident; the nationwide cap is accordingly $1.25 per capita. This limit has not been adjusted since the credit was created in 1986; the purchasing power of the credit has declined by about 45 percent since that date. The Administration's budget calls for increasing the limit to $1.75 per capita, at a cost of $1.6 billion over five years.

(P) *Homeownership Zones.* The FY 1999 budget includes $25 million for Homeownership Zones. The funding would be used by communities to reclaim abandoned and distressed neighborhoods through the creation of large-scale developments of owner-occupied single-family homes. Funds could be used for property acquisition, housing construction, housing rehabilitation, demolition, site preparation, homeownership counseling, relocation, housing marketing, activities to further fair housing, and other activities essential to homeownership.

In 1997, $20 million in recaptured Nehemiah Housing Opportunity Grant funds were used for similar targeted homeownership activities.

(P) *Home Loan Guarantee Program.* This $11 million initiative would allow States and localities to use HOME funds as collateral to leverage private loans for large-scale affordable housing developments in distressed communities. Under this program, HUD would guarantee private loans of up to five times the jurisdiction's most recent HOME allocation.

7. Infrastructure

TEA-21. TEA-21 provides funding for the interstate highway system and for mass transit; it generally does not provide funding for local roads that are not considered part of the interstate system.

JOB CREATION IN DISTRESSED AREAS

THE PROBLEM

Over the past few decades, urban poverty has become increasingly concentrated in high poverty neighborhoods. In the top 100 cities, the proportion of the poor living in census tracts with a poverty rate over 40% has increased from 16% to 28% from 1970 to 1990. At the same time, there have been increases in joblessness and decreases in median incomes of inner-city residents relative to the balance of the metropolitan area. This deterioration in the relative economic position of the inner city may lead to a number of other problems-- deterioration in public infrastructure, declines in school quality, increases in crime, and a deterioration in civic activity-- which can further weaken the economic position of inner city residents.

Below we summarize some of the major classes of explanations for the problems of the inner city and provide some policy options that are potentially suggested by each explanation. This document is meant as a summary of current ideas and is not intended as a recommendation for any particular options.

EXPLANATIONS

1. The Decline in Inner City Jobs

The number of jobs available to inner-city residents has declined due to a general decline in the demand for low-skilled labor and a shift in the composition of jobs from manufacturing to service sector employment. At the same time, a growing "spatial mismatch" has further skewed employment opportunities away from inner-city residents. While most of the job growth has been in the suburbs, housing market discrimination and the concentration of federally subsidized housing in the inner-city may make it difficult for many inner-city residents (particularly minorities) to move to where the jobs are. Key reasons typically given for the growth of jobs in the suburbs are greater public subsidies for transportation and other public infrastructure, lower tax rates, lower regulation, and lower congestion costs.

<u>Well-known proponents:</u> John Kane 1968, William Julius Wilson 1987

<u>Possible Implications</u>:
- Increase incentives to create jobs in inner cities.
- Adopt policies to increase demand for low-skilled labor.
- Increase transportation and job networks between inner cities and suburbs.
- Help families to move to where jobs are.

2. *Declining Educational Opportunities of Inner-City Residents*

The decline in middle class residents in the inner cities and the exodus of middle class residents from public to private schools could lead to a deterioration of public school quality, by reducing local support for taxes to finance public schools, and by removing more highly motivated students from the public schools. As a consequence, both years of schooling and basic skill levels of inner city residents may have deteriorated. This may substantially limit the earnings potential of inner-city residents, because the labor market is placing an increasing premium on education.

Possible Implications:

- Improve quality of education and training available to inner-city residents.

3. *Labor Market Discrimination*

Inner-city residents may be particularly hard hit by employer discrimination against minorities. A recent study of employers in four major metropolitan areas found that black new hires were concentrated in the inner-city relative to the suburbs. The study found that part of this differential is associated with differences in the racial composition of managers and customers in suburban and inner-city neighborhoods. There is also at least anecdotal evidence of discrimination of inner-city employers against low-skilled minorities. This suggests that discrimination at both the hiring and the customer level may limit the ability of inner-city blacks to find jobs.

Possible Implications:

- Better enforcement of labor market discrimination and equal opportunity policies.

4. *Neighborhood Effects*

The concentration of poor families in high poverty neighborhoods may lead to a number of problems which may further deteriorate the economic well-being of poor neighborhoods. For example, there may be a decline in role models that promote economically productive behavior, a decline in connections to mainstream job opportunities, an increase in crime, and a decline in civic activity and support for critical social institutions.

Well-Known Proponent: William Julius Wilson 1987

Possible Implications:

- It may initially be difficult to overturn problems in the inner-city, because there are multiple areas in which inner-cities are disadvantaged. However, once these problems are addressed, there may be positive-feed-back effects which cause progress to accelerate.
- Single-approach initiatives may be less effective than a multi-pronged approach.
- Institutional change (criminal justice, public assistance system etc.) may be crucial.
- There may be an important role for voluntary and non-profit institutions.

5. Remove barriers to business investment

Porter argues that the inner city has several advantages to offer businesses. In particular: a) Inner cities occupy a strategic location near high-rent business centers, entertainment complexes, and transportation and communications nodes. b) Businesses in inner cities could try to capitalize on regional clusters, c) There are large unmet local consumption demands, due to the high population density of local residents, and d) Inner cities offer human resources in the form of a cheap, low-skilled workforce.

However, these advantages are not fully utilized due to intrusive, burdensome, costly regulation (such as environmental regulations), inadequate infrastructure and public safety, and workers lacking some needed skills (e.g. reliability).

Well-Known Proponent: Porter 1995, 1997

Possible Implications:

- Streamline or reduce regulatory policies, such as burdensome environmental regulations or zoning and land use laws. (Many of these policies are locally based).
- Increase human capital investment by improving public schools and training (with a focus on private sector involvement).
- Reduce crime and improve infrastructure.
- Government should not subsidize business operating costs (e.g. EZ/EC approach) because then businesses do not become sustainable in the long run.

6. Personal behavior / lack of responsibility

The decline in inner-city neighborhoods may be due to deterioration in work-orientation and family responsibility of inner-city residents. This may be a result of many forces including the inner-city job problems described above as well as the historical incentives of the welfare system, which tended to discourage work and family formation. It also may result from a decrease in the extent to which other institutions (such as schools and the criminal justice system) penalize socially unproductive behavior.

Possible Implications:

- Adopt welfare policies which promote work and family responsibility.
- Strengthen criminal justice system.
- Increase academic standards and improve school to work transitions.

KEY QUESTIONS

In considering different options to address the problems of inner-city neighborhoods, two fundamental issues emerge:

- **Helping communities or people?** Revitalizing communities may benefit current residents, and helping individuals in a distressed area may generate positive feed-back effects that spill over to the entire community. However, there may also be some tension between strategies whose primary aim is to revitalize communities and those whose primary aim is to aid the individuals located in those communities. Community revitalization may drive up prices and push current residents out, just as the neighborhood is improving. Improving the skills, or job and housing opportunities of residents may result in their leaving the area, thus creating even more distressed communities for those left behind.

- **How many things to address at once?** The interrelatedness of many of the problems faced by distressed communities -- lack of employment, crime, inadequate infrastructure, low income -- suggests that strategies that concentrate on addressing several problems simultaneously may be more successful than individual programs for individual problems. This in turn suggests concentrating funding in relatively fewer areas -- where it can be used to address several problems simultaneously -- rather than spreading it more thinly to tackle a single problem in multiple areas.

WHAT DO WE KNOW ABOUT WHAT WORKS?

1. Residential Mobility Strategies

Recent experience with the Moving to Opportunity Demonstration program suggests that offering a Section 8 housing voucher to public housing recipients substantially increased mobility out of high-poverty neighborhoods. If the housing voucher is also coupled with extensive mobility assistance services and with a requirement that families move to a "low-poverty neighborhood", there may be a somewhat lower rate of mobility out of high poverty neighborhoods, but families are more likely to locate in much more affluent neighborhoods. HUD is now testing a separate program which combines a housing voucher with mobility assistance services, and which does not require families to move to a low-poverty neighborhood to receive the housing voucher.

2. *Transportation Programs*

We currently have little information on the impact of policies which expand transportation between the inner-cities and the suburbs. The Bridges to Work Demonstration program, implemented by Public/Private Ventures in five large cities, should provide further information on whether this approach can be effective.

3. *Education and Training Activities*

A number of employment and training programs have been shown to increase employment and earnings of disadvantaged adults, particularly disadvantaged women. Most of these programs have not increased hourly wage rates, but this may be due to a relatively low rate of investment in educational services. Programs for disadvantaged youth have been less successful, with a few notable exceptions. While we currently have little information on saturation approaches, the recent Youth Fair Chance program appears to have produced a decline in drop-out rates.

4. *Wage Subsidies*

There is limited evidence on the impact of "pure" wage subsidy programs for adults. Most programs have had low take-up rates, and there is some experimental evidence that targeting wage subsidies to welfare recipients can actually *decrease* employment (this may be because the narrowly targeted subsidy stigmatizes the recipients by clearly identifying them to employers as a welfare recipient). On the other hand, programs which combine wage subsidies with job development and job search services have been effective in increasing earnings, particularly for adult women. Experience with both the Targeted Jobs Tax Credit and the Youth Incentive Entitlement Pilot Project suggests that wage subsidies can increase aggregate youth employment. Estimates suggest that roughly one net job is created for every two jobs subsidized by the program.

5. *Earnings Subsidies*

Programs which target workers rather than firms have the advantage that they can be targeted more carefully on the basis of family income, without unnecessarily stigmatizing the worker in the eyes of potential employers. Recent studies of the Earned Income Tax Credit find that it has increased employment and earnings of single mothers. Other experimental studies in Canada and Minnesota have found that earnings supplements and expanded earnings disregards can increase employment rates of welfare recipients.

6. *Publicly Subsidized Employment*

Experience with the CETA program in the 1970s suggest that public employment programs can generate post-program earnings gains for adult women, but not for men. While CETA public service employment programs appeared to increase employment for participants while they were in the program, there is substantial disagreement about the magnitude of the net employment effects of these programs, after accounting for displacement of other public or private sector employment. Programs for youth, on the other hand, have been effective in generating aggregate increases in youth employment rates.

7. *Efforts to Promote Private Job Creation*

Since the early 1980s, 37 different states have adopted some form of enterprise zone program, and a Federal EZ/EC program was launched in 1994. These programs try to encourage firms to move into or expand their operations in distressed areas and to hire local residents. Incentives, in the form of tax subsidies and regulatory relief, are designed to reduce the firms' costs of investment and hiring. Most careful efforts to evaluate state enterprise zone outcomes have found little impact on employment or capital investment. The federal program -- which supplements the tax incentives with direct assistance in the form of block grants and requires community participation in the development of a strategic plan -- has not yet been evaluated.

8. *Anti-Discrimination and Equal Opportunity Policy*

There is evidence that passage of the Civil Rights Act in 1964, and the Equal Employment Opportunity Act of 1972 were associated with acceleration in the relative wage growth of blacks, and that this increase was largest in southern states where fair employment laws were weaker. In addition, the implementation of affirmative action provisions for federal contractors was associated with a moderate increase in the representation of minorities in firms that are federal contractors. There is also some evidence that the intensity of enforcement matters, since black relative wage growth was more rapid in the 1970s when anti-discrimination policy was more vigorously enforced than in the 1980s when enforcement was weaker.

9. *Expanding Access to Credit Markets*

There is some evidence that the tightening of regulations and increased enforcement of the Community Reinvestment Act under this administration has increased access of minorities to home mortgage loans. From 1993 to 1996, conventional home mortgage lending has increased by 67% for blacks and by 49% for Hispanics, substantially more than the overall increase in lending. In addition, the community development financial institutions fund (CDFI) has begun to create a network of institutions which promote lending to distressed communities. At this point, there is little formal information about the effectiveness of this approach.

10. *Specific Initiatives Aimed at Improving Public Institutions.*

Specific initiatives could be developed to improve existing public institutions, most notably public schools, criminal justice, and public assistance.

ROLE OF THE FEDERAL GOVERNMENT

As the above discussion demonstrates, there are a multiplicity of (non-mutually exclusive) explanations for the causes of the problems of distressed areas. And there is little evidence to point to in evaluating the relative roles of these explanations, or in judging whether proposed solutions will be effective. If there is one thing that we do know, it is that there is not a clear formula for success that can be nationally imposed and uniformly applied.

Nevertheless, the federal government can serve a useful role in encouraging, facilitating, and supporting locally-driven revitalization efforts. In particular the federal government can:

- Increase awareness of the issue. Highlight the problems of distressed communities and encourage communities to address these issues. The federal government can also serve as an information resource and provide technical assistance.

- Provide federal funding resources for infrastructure investment, housing improvement, school reform efforts, improved policing etc. Federal resources in such areas, which have not traditionally been federal oversight activities, could be a necessary component of any successful revitalization strategy, but past efforts suggest that federal dollars are not sufficient by themselves, and must be linked with major local involvement and planning.

- Increase federal funding for human capital development. Again, funding for employment and training could be a necessary, but not sufficient, component of a successful revitalization strategy.

- Design model neighborhood programs. Where information on the efficacy of innovative program ideas is lacking, the federal government could sponsor and evaluate small demonstration projects. In particular, this could be a constructive role for the Federal government in DC.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	HUD-Preliminary Community Empowerment Initiatives for FY2000 (2 pages)	09/02/98	P5

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

September 8, 1998

Revised

MEMORANDUM FOR BRUCE REED
ELENA KAGAN

FROM: Domestic Policy Council Staff

SUBJECT: **Compilation of Preliminary New Ideas**

Next step: (1) cost assessments

CHILDREN AND FAMILLIES

1. Child Care. While this is not a new idea, we must maintain our support for our child care initiative in order to have credibility on the rest of a new "families first" agenda. need fuller description

2. Paid Parental Leave. Funding for paid-parental leave for the purpose of looking after a newborn baby, or a newly-adopted child for up to 12 weeks (although we may reduce the length of time, depending on costs). A leave initiative may be targeted to families whose incomes are below a certain level.

Parents ? Bill of Rights

3. Home visitation. Funding for programs that counsel and support new parents. These programs are often conducted by trained professionals, such as nurses and counselors, and they can dramatically decrease levels of abuse, which in turn decreases rates of delinquency and crime amongst children and youth. welfare? single?

4. Child Welfare. Additional funding for and improvements to the independent living program to assist youth in foster care "aging out" of the child welfare system with life skills training and vocational and educational needs.

5. Child Tax Credit. Double the Child Tax Credit, from \$500 per child to \$1000, for parents of children aged 0 to three. No

6. Home Office Tax Deduction. Expand the allowable expenses for those who work out of their home. Treas?

7. Flex-Time. Offer tax incentives for companies that offer flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. likes

8.After-School Programs. Support after-school programs in both school-based and non-school-based settings, with a priority to those programs that are tailored to work hours.

CIVIL RIGHTS

1. Enhance the CRS program at Justice. The Community Relations Service at Justice has been a significant force in cooling racial tensions in communities all over the country. Since the 1980s, their budget has been decimated. This initiative could (1) enhance CRS's ability to provide mediation services to resolve community civil rights concerns as an alternative to litigation; and (2) provide CRS conflict resolution training and technical assistance to communities. The CRS is very popular with the AG and she often talks of wanting it strengthened.

2. Inter-Agency Task force on Discrimination. This initiative would create an inter-agency task force (headed by the Civil Rights Division at Justice) to expand research on the extent of racial discrimination in the country. The research would focus on developing uniform testing protocols in housing, employment, and access to capital and then using these tools to asses the nature and extent of discrimination in these areas. This effort could be linked to agency compliance and/or enforcement work.

3. Improve Civil Rights Information Sharing. This proposal would provide funds to establish and maintain a system that links the data bases of agencies with civil rights enforcement responsibilities -- thus allowing, for example, OCR at Education to have better access to work being done by the Education Section at Civil Rights.

4. Becoming an American. A national effort to focus on easing the transition to the U.S. for new immigrants. We could provide grants to community-based organizations that fund English and civics classes for new immigrants. Also, we could encourage the development of programs that provide practical transition-type help to new immigrants -- such as understanding the public education system; understanding the housing system, etc. According to the INS, there is a bit of this being done on the community level, but they do not fund any of it. Also, some of the education bits are done by the Dept. of Ed. (adult education and/or literacy), but not in a coordinated way. HHS funds some transition work for refugees. This general idea was first talked about by the Jordan Commission.

5. Sweat-Shop Initiative. Expand enforcement against labor abuses in "sweatshops" and on farms that employ migrant farm laborers. Many of the wage & hour laws in place to protect low-wage workers are not adequately enforced by the Department of Labor, in part because of dramatic reduction in funding for these efforts during the 1980s. These workplaces often serve as places of gateway employment for new immigrants, and thus the abuses disproportionally affect Latinos and Asians.

6. Equal Pay. A program that could be run by the EEOC and DOL to increase outreach to businesses to educate them about the legal requirements for paying equal wages, provide technical assistance, improve training for EEOC employees and resources for increases in enforcement capabilities.

COMMUNITY EMPOWERMENT

1. Access To Capital For All Americans.

- **CDFI Tax Credit.** In 1996, we proposed a tax credit for investors in CDFIs. We could re-propose this $100 million non-refundable tax credit. The maximum amount of credit allocable to a particular investment would be 25 percent of the amount invested.

- **Voluntary CRA.** Launch a bully pulpit effort to encourage non-bank financial institutions to develop and implement principles for community investment.

•**Micro-Enterprise.** Provide authorization and funding for CDFI Fund to provide technical assistance to micro enterprise organizations and micro-entrepreneurs (PRIME Act, Kennedy-Domenici).

•**Secondary Market.** Develop coordinated administration initiative to take first steps towards secondary market for community development loans, including data collection, education, standardization, regulatory review, and the creation of a loan loss reserve fund to back pools of community development loans pooled and sold by the private sector.

•**Fair Lending.** Continue to push the Fed to permit collection of data on race and income of small business borrowers; consider legislation if this fails.

•**Capital Access Programs.** Push to give the CDFI Fund authorization to launch small business capital enhancement program to back state-run loan loss reserve funds that permit banks to make more difficult small business loans.

2. Sustainable Development.

•**Environmental Activity Bonds.** In response to the growing needs of urban areas, an environmental bond would help cities meet the environmental goals set by the Clinton Administration. EPA has identified three areas which would be candidates eligible to receive funding: brownfields, drinking water, urban river/waterfront cleanup, and the creation of parks and other public spaces. Drinking water (as cities need to improve infrastructure to meet the requirements of the Safe Drinking Water Act) and brownfields are two areas that cities continue to seek assistance for financing. Our preference is to be more inclusive and allow municipalities increased flexibility to identify their priorities. However, there should be attention paid to how this financing would intersect with other Administration initiatives like the Clean Water Action Plan, Drinking Water Revolving Loan Fund, and TEA-21.

•**Urban River Corridors and Wetlands Restoration Projects.** EPA proposes urban river corridor and wetlands restoration efforts tailored to improve the human health and economic opportunities in urban communities. To date, EPA has made small grants to a number of cities and municipalities for these types of projects. With additional grants to local communities, the Agency could provide the necessary funding for projects to improve community water resources. These projects would provide employment opportunities for residents, benefit the economic welfare and technical competence of local residents, and empower the community to build for a better future. Restored areas can serve to attract and sustain business as well as provide outlets for recreation.

•**Community Preference and Visualization Tools.** Building the social capital necessary to change transportation and land-use policies to create more livable communities also requires tools that the average citizen can use to understand the implications of major policy choices. EPA proposed to act as a catalyst in the development and use of such innovative decision making tools. The types of tools would include: 1) Community Preference Surveys, which show communities pictures of different neighborhood types, and help the community reach a consensus about the types of development that are desirable; 2) simulation tools, which would get a community "development ready" or help a community experiment with alternatives that have been proposed; and 3) new

Urban GI Bill II → New tax credits

software, accessible to the public as well as urban planners, to view and evaluate alternative urban designs for any community.

•Asthma Initiatives. Through better implementation and new investments, EPA believes the Federal government can take action that will show immediate and long term results to reduce asthma rates among children. Data from Paul

•Air Quality Credits. EPA proposes to provide incentives to transportation planning by developing protocols for potential air quality credits toward state attainment plans for locally-initiated strategies and projects that create less auto-dependent communities. Similarly, the Agency proposes to create the next generation of the Clean Air Brownfields Partnership Pilot by continuing and expanding its ongoing efforts to link air quality goals and brownfields/infill redevelopment. After 2000, EPA proposes to partner with cities that have a significant brownfield site in the decision-making phase of redevelopment, work with the city, state, and developer to come up with a project design that maximizes air quality benefits, and allow credit for these activities under the State Implementation Plan.

3. Job Creation in Distressed Communities.

•Local Infra structural Improvement and Economic Revitalization Fund. Emil forwarded this idea to establish a Federal grant program to fund local Infra structural improvements. This would spark revitalization of declining or stagnant low-income areas by providing funds to upgrade local infrastructure. These Federal dollars could leverage State, local, and private funds for such Infra structural efforts.

•Community Revitalization Tax Credit. LISC proposes a Community Revitalization Tax Credit (CRTC) --similar to the Low-Income Housing Tax Credit --to help stimulate private-sector investment in commercial property in under served neighborhoods.

•Community Development Corporation Tax Credit. In 1993, we put in place a demonstration tax credit for investors in 20 CDCs. According to this report for Bruce Katz' shop at Brookings, this program has been effective. We could propose expanding this CDC tax credit to more areas. The author of this report also proposes some changes to make the tax credit more effective.

Extend ?

•Expand ~~and Rationalize~~ Employer-Side Tax Incentives. This includes EZs, Welfare to Work, WOTC, DC Jobs Credit.

•Working Ventures Fund. Fund one or more national non-profits to fund, evaluate, share best practices, develop networks, and link non-profits to their business community, in the job training and placement field, as LISC and Enterprise do in the housing HUD + LISC

•Community Empowerment Fund. a) Include targeting for welfare to work projects; b) allow links to venture capital focused on minority-owned or small business in distressed areas; c) eliminate mandatory pledge of CDBG dollars for CEF loans.

•**Metro Jobs/Community Development Corporation (CDC) Links.** Would target job-poor but CDC-served central-city neighborhoods to create or strengthen a welfare-to-work infrastructure that is place-based but people-focused and regional in orientation (where the jobs are). Would build on HUD's Bridges to Work and complement DOL and HHS efforts, focusing on concentrations of assisted housing run by CBOs.

4. Low Income Savings.

•**Asset Development for Section 8 Voucher Recipients.** Currently, an individual still sees the size of their subsidy reduced for each extra dollar he/she earns. This new idea from Liebman and Orszag would roll-over any savings --or a part of the savings --from an individual earning more money into an Individual Development Account (IDA). That is, if the size of a person's Section 8 voucher is reduced by about 30 cents for each extra dollar he/she earns, we could put this savings --up to 30 cents --in an IDA. We could also the capabilities created by EFT '99 to electronically transfer money to efficiently establish IDAs for more Americans.

Food Stamps

•**Brownfields Meets Community Development.** Under this proposal, we would push banks to invest in brownfields as part of their CRA commitments.

5. Affordable Housing.

•**Elderly Housing Initiative.** 1) Housing modernization grants to existing elderly housing projects for modernization, physical redesign, and/or conversion to assisted living; 2) Expanded and more flexible service coordinator grants to meet needs of increasingly frail population in public and assisted housing; 3) authority for PHAs to use vouchers for the housing component of assisted living costs.

•**Regional Affordable Housing Initiative.** Targeting regions with severe jobs-housing imbalance and established partnerships for regional collaboration, HUD would provide grants and loan guarantees to support planning, regulatory streamlining across jurisdictions, and development.

•**Vouchers.** An expanded request will focus on incrementals, welfare to work, and homeless.

6. Promoting Homeownership In Distressed Communities.

•**Low-Income Homeownership Tax Credit.** Self-Help --a community group in North Carolina --proposes a tax credit for investors who provide second mortgages to low-income families. This could significantly reduce the barriers to homeownership among low-income families, who do not really benefit from the home mortgage interest deduction.

•**Increase Allocation of Mortgage Revenue Bonds.** Each state receives a supply of tax-exempt mortgage revenue bonds. These bonds help low-income families become homeowners and help develop affordable rental housing. There are currently 53 co-sponsors of legislation in the Senate and 316 co-sponsors of legislation in the House to increase the allocation of mortgage revenue bonds by slightly more than 50 percent and then index it to the rate of inflation.

•**Expand Use of Mortgage Credit Certificates.** Mortgage Credit Certificates (MCCs) are credits against federal income tax equal to between 10 and 50 percent of mortgage interest (to a limit of $2,000 per homeowner) issued by state governments. MCCs count *against* state's ability to issue mortgage revenue bonds. We could propose to expand the MCC program to allow the limit to be $4,000 for homeowners in EZs or ECs. We could also propose allowing states to not have to count MCCs against their mortgage revenue bond base.

X •**First-Time Homebuyer Tax Credit.** The 1997 tax law put in place a $5,000 tax credit for first-time homebuyers in the District of Columbia. To boost homeownership in Empowerment Zones, we could propose allowing any first-time homebuyer in an EZ to take advantage of this tax provision.

VP likes •**Historic Homeownership Assistance Tax Credit.** The National Trust for Historic Preservation proposes a 20-percent tax credit to homeowners who rehabilitate or purchase a newly rehabilitated historic home and occupy it as a principal residence.

•**Homeownership Vouchers.** Already authorized, would apply rental subsidies to mortgage-related expenses for first-time homebuyers who were Section 8 tenants.

Nat'l Historic/place-based

EDUCATION

1. Class Size Reduction. Reintroduce President's proposal to reduce class size in grades 1-3 to an average of 18. Needs to be funded on the mandatory side. If ~~necessary~~, we could combine this with a teacher quality/recruitment initiative, so that funds in the early years of the program are devoted to (1) incentives for people to enter teaching and/or (2) teacher training and professional development. combine recruiting/quality/class size. ? make more flex

2. School Modernization. We've tried this on the mandatory side and we've tried this on the tax side. Assuming we don't get it this year, we've got to try again next year.

3. School Discipline/Safety. We are working on an overhaul of the Safe and Drug Free Schools Program, that will: (1) focus the program on comprehensive, proven approaches to improve school discipline and safety; (2) better target the funds to schools/communities with the greatest needs; and, (3) improve data collection and reporting, including school report cards on safety/discipline issues. Because the program currently spreads (small amounts of) funds around to almost all school, and because of its initial emphasis on keeping schools drug-free, the politics of this program will probably require that any shift in emphasis on greater targeting will require additional resources.

4. Teacher Supply and Quality. Here are three initial ideas for improving teacher quality. The first two came out of our initial discussions on the President's race report. We can decide down the road whether to keep them focused on high poverty schools, or make them more universal. We can also break out particular pieces of them into separate initiatives if we want to:

• **Make sure there are qualified teachers in high poverty schools**. First, encourage and support state and local efforts to improve the preparation, certification, recruitment, selection, induction, retention, evaluation, reward and dismissal of teachers overall. Support necessary R&D on critical components of an upgraded system, such assessing teacher competence in the classroom. Second, work to end the practice of disproportionately placing and keeping unqualified teachers in high poverty schools. Require states to require prospective teacher to pass basic skills/subject matter tests (and help them develop more demanding assessments) in order to be licensed Prohibit school districts receiving Title 1 funds from staffing Title 1 funded classes (what about schoolwides???) with unqualified teachers, and bar those without an effective system for teacher evaluation (including removal of incompetent teachers) from receiving Federal (or just Title 1) funds. Require K-4 teachers in Title 1 schools to successfully complete training in teaching reading, and fund the training. Third, help attract and retain the best teachers for high poverty schools. Fund induction and continuing professional development programs in high poverty schools. Provide incentives for Board-certified teachers to teach in high poverty schools.

• **Recruit More Minority Teachers**. Many believe that a major factor influencing children's success in education is role models. Enhance current recruitment programs with effective incentives to attract more minorities to the teaching profession. Minority teachers, administrators, and school personnel serve as role models for minority students and can provide an important link between schools and parents.

• **Establish subject-specific teacher/administrator training institutes/academies/centers in every state.** There are crying needs to train existing teachers in key subject areas, such as reading, technology use, math/science and other academic subject. We should establish subject specific training centers in each state (or perhaps in geographic regions within states). The idea is to create a place, probably at a university, that has the subject-matter capacity and can work with school systems to develop and implement a strategy for ensuring that every teacher who needs it gets high quality, intensive and ongoing training in the subject and how to teach it. This could either substitute for or complement the current teacher training program (Eisenhower Professional Development Program), which provides funds to states and school districts on a formula basis, with broad discretion on how the funds can be used for professional development. We could also establish training centers for principals and other school leaders.

• **Continuing the Troops to Teachers (TTT) program** (due to phase out in Oct 1999). TTT provides stipends to encourage retired military personnel to teach and school districts to hire and train them. TTT attracts more minorities and men into the teaching profession than are traditionally represented, they have background in understaffed subjects such as math and science, and are more willing to teach in inner-city classrooms.

5. **Recruiting and Training Principals.** Most states and communities lack good strategies for recruiting and preparing individuals with the knowledge and skills to provide the kind of leadership and management schools need right now. We could propose a competitive demonstration program to provide focus, leadership and effective models for the field. This would not be a big-ticket item.

6. **Urban/Rural Initiative**. This could take two forms. One would be some version of Education Opportunity Zones--a competitive grants program that rewards performance and requires accountability. A second would be to create local performance partnerships, in which local communities agree to create schools that are safe, have high standards and qualified teachers, after-school programs, tutors and other forms of extra help for kids,

Zones w/ Ed Flex

technology, etc. The districts would be responsible for creating schools with these opportunities, and would be accountable for improving achievement across the board (perhaps as measured against national standards). In return, the districts would (1) be able to combine funds from relevant ED and other programs, so they can figure out the best way to provide the learning opportunities; (2) get extra funding over and above the funding from the existing categorical programs; and (3) gain or lose additional funding based on performance (with some floor established to minimize the risk for districts).

7. Choice Demonstration Program. Establish a demonstration program to challenge states and school districts/cities to expand the range of high quality schools students and families can choose among, thereby enabling students in low performing schools to move to better ones. A variety of approaches should be encouraged, including:

- **Community College Enrollment.** High school students should be permitted to enroll in community colleges, for high school level or college level courses. This step could provide inner city students with access to more qualified teachers, because most community colleges have faculty with subject matter expertise (whereas urban high schools often have teachers teaching out of field). It could also help boost minority enrollment in college. [see if this can build on existing tech-prep programs, or other articulation agreements.]

- **Contract School System.** Transform urban school systems from bureaucracies which operate large numbers of schools into systems in which the local governing body contracts out the operation of each school--to teachers, nonprofits, school management firms, etc. In effect every school becomes a charter school, with a distinct mission, control over its own staffing and budget, and accountable for results. The local school board is responsible for selecting the schools, identifying new types of schools that might be needed and soliciting proposals to operate the school, monitoring the performance of each school and holding it accountable. Under this approach, all schools would eventually be schools of choice.[see Paul Hill's work for background on this]

- **Schools located at large employers.** Encourage large employers to provide facilities on site for schools for children of their own employees, while the school district provides the teachers, curriculum, instructional materials, etc. Dade County's Satellite Learning Centers provide the model for this approach. Dade's experience shows that these schools can (1) be more diverse than other schools, because work sites are more diverse than residential neighborhoods (2) save the school districts the cost of new facilities (3) save employers costs associated with employee turnover and (4) increase parental involvement in the schools.

- **Expanding choice through smaller, schools-within-schools.** Transform large, impersonal schools into smaller schools-within-schools that would dramatically expand choices within public education for families without requiring students to leave their neighborhoods. Many parents want more choice in education but don't want to send their children to school far from home. This proposal would address that need and enable many more students to get the personalized learning attention that so many families want; it also may reduce discipline and violence problems. A grants program could support networks of schools or school districts to plan and implement this concept and provide information and counseling to help students and their families make good choices. This proposal could be linked or combined with the "contract" schools concept by creating a competitive process to award contracts to manage each school-within-a-school to teachers, non-profits, charter schools, etc.

8. English Language Acquisition. As part of the planned overhaul of the Bilingual Education Program, we should consider a number of initiatives:

- **Make every LEP child competent in English within 3 years of obtaining services.** English language competency is the key to success in schooling and the economy. ESL and similar services should be made universally available to <u>all</u> students who need them. Federal funding can provide matching grants to States to do this. The requirement--including funding and accountability--for serving LEP kids and helping them become competent in English within 3 years should be built into the Title 1 program. Other programs, such as after-school and technology, should also be designed so that in schools with significant numbers of LEP kids, they are also focused on helping kids learn English within 3 years.

- **Support English Plus.** In addition to ensuring that all LEP students learn English, we should promote foreign language learning, starting in the early grades, for student's whose native language is English. The objective is to dramatically increase the number of students who leave school fluent in two or more languages, regardless of their native language.

- **Support demonstrations of, and if effective greatly expand "Newcomer High Schools" for recently arrived immigrant students.** Many school districts are facing an increasing number of secondary immigrant students who have low level English or native language skills, and in many cases, have had limited formal education in their native countries. In order to prevent these students from dropping out (and these children are a significant factor in the 40% Hispanic drop-out rate), these students must learn English, take the required content courses and catch up to their U.S. peers. Some district have developed Newcomer programs --either a separate school or a school-within-a-school. These programs typically educate students for a limited period of time (most for less than two years) before enrolling them in their home schools. Three such schools are 4-year high schools. The programs reach beyond the students themselves, providing classes to orient parents to the U.S. and 63% offer adult ESL classes. There are currently 75 such programs in 18 States and the Center for Applied Linguistics has sponsored an evaluation of their effectiveness.

OMB

9. Quality pre-school education. We can propose an initiative to make quality pre-school universally available, or at least universally available for poor kids. There should be two key components to this. One is to provide a number of funding streams to pay for it. Head Start should be the base, though we should also look at ways in which Title 1 could play a larger role. Second, we should provide incentives to both preschools and school districts that receive federal funds, to work together to help ensure that the preschools programs are focused on helping kids get ready for school, by requiring the schools to reach out to preschools and let them know what they expect kids to know and be able to do when they come to kindergarten, and by giving the preschools the help they need to provide an appropriate curriculum.

focus on quality

10. Federal Matching Funds for AP courses and for AP and SAT/ACT Preparation. The President has made universal access to two years of higher education a priority, and has created ways to alleviate the financial hurdles. A logical next step in improving the quality of access is to make all students more competitive by closing the gaps in advanced course availability as well as SAT and ACT test scores. The Federal government could establish funding matching mechanisms to encourage states to improve access to AP courses and preparation for AP tests in low-income schools; in areas where AP courses are not available, funds could be used for partnerships with community colleges that offer similar courses. Similarly, matched funds could be used to do one of a number of things for SAT/ACT preparation: pay for low-income youth to attend prep courses (e.g., Kaplan; Princeton Review); fund poor school districts to set up their own test prep programs; as in America Reads, waive the federal match for Work Study students who help prepare disadvantaged students for the tests.

VP

11. "High Hopes" for Adults. While the President has made enormous progress in making available resources for higher education for people of all ages, the primary focus of Administration informational campaigns and initiatives like High Hopes have been to encourage young people to go to college. A new initiative could combine two efforts. First, the Administration could launch an informational campaign encouraging adults to go back to school and inform them of new resources available to help, including Lifetime Learning and Hope Scholarship Tax Credits, Individual Training Accounts under the new Workforce Investment Act, and Pell Grants (which apparently few realize can be used for part-time students). Second, a new "High Hopes" grants program targeted at adults, partly focused on encouraging minorities and women to go back to school, could support local partnerships of business, community colleges, labor unions, one-stop centers and others to provide the information and counseling needed to encourage ~~and assist~~ adults to enroll in courses and programs that will help them succeed in their local job market. welfare

12. Encourage High Schools to Offer/Require Service Learning. We should consider expanding the service learning initiative (Learn and Serve) to encourage more school districts to incorporate service into their education programs. The service learning program could be expanded to provide a stronger infrastructure, e.g., service coordinators for high schools, in order to make the service experience both more rewarding and educational for students.

HEALTH

1. Long-Term Care and Medicare Reforms for Elderly, Disabled and Their Families

• **Providing new long-term care tax credit**. Along with the lack of coverage of prescription drugs, the poor coverage of long-term care represents a major cost burden for the elderly and their families. Long-term care costs account for nearly half of all out-of-pocket health expenditures for Medicare beneficiaries. This proposal would give people with two or more limitations in activities of daily living (ADL) or their care givers a tax credit of $500 (or more, if affordable) to help pay for formal or informal long-term care. This initiative would be coupled with other long-term care policies (e.g., offering private long-term care insurance offering to Federal employees). (Cost: About $4 billion over 5 years, offset by closing some tax loopholes, and would help about 3.4 million people).

• **Offering private long-term care insurance to Federal employees**. Since expanding Federal programs alone cannot address the next century's long-term care needs, the Federal government --as the nation's largest employer --could illustrate that a model employer should promote high-quality private long-term care insurance policies to its employees. Under this proposal, OPM would offer its employees the choice of buying differing types of high quality policies and use its market leverage to extract better prices for these policies. There would be no Federal contribution for this coverage. (Cost: Small administrative costs; OPM estimates about 300,000 participants).

• **Providing new tax credit for work-related impairment expenses for people with disabilities.** Almost 75 percent of people with significant disabilities are unemployed; many of those within the population cite the cost of employment support services and devices, as well as the potential to lose Medicaid or Medicare coverage, as the primary barriers to seeking and keeping employment. This proposal, strongly advocated by your Task Force on Employment of Adults with Disabilities, would give a 50 percent tax credit, up to $5,000, for impairment-related work expenses. It could be a stand alone proposal in the budget or packaged as a long-term care initiative if we decide to defer announcing the long-term care tax credit. (Cost: About $500 million over 5 years, offset by closing tax loopholes, and would help about 300,000 people).

• **Offering new family care giver "one-stop-shop" support program.** About 50 million people provide some type of long-term care to ~~family and friends~~. Families who have a relative who develops long-term care needs often do not know how to provide such care and where to turn for help. This proposal would give grants from the Administration on Aging to states to provide for a "one-stop-shop" access point to assist families who care for elderly relatives with 2 or more ADL limitations and/or severe cognitive impairment. This assistance would include providing information, counseling, training and arranging for respite services for care givers. (Cost: About $500 -750 million over 5 years).

caution

• **Adding prescription drug coverage to Medicare (new policy).** The lack of coverage for prescription drugs in Medicare is widely believed to be its most glaring shortcoming. Recognizing the medical community's reliance on prescriptions for the provision of much of the care provided to Americans, virtually every private health plan for the under-65 population has a drug benefit. Medicare's lack of coverage is largely responsible for the fact that drug costs are the highest out-of-pocket cost for three out of four elderly. This burden will only become more acute in the next century as the vast majority of advances in health care interventions will be pharmacologically-based. Responding to this fact, Republicans and Democrats on the Medicare Commission, as well as almost every health care policy expert, are consistently stating that reforming Medicare without addressing the prescription drug coverage issue would be a mistake. We are developing a wide variety of options, including a means-tested option, a managed care benefit only approach, and a traditional benefit for all beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. (Cost: Varies significantly depending on proposal, but could be $1 -20 billion a year; assumed offset would be Medicare savings, which might more easily be achieved in context of a broader reform proposal).

• **Establishing a new cancer clinical trials demonstration (FY 1999 budget; not passed).** Less than three percent of cancer patients participate in clinical trials. Moreover, Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. This proposed three-year demonstration, extremely popular with the cancer patient community, would cover the patient care costs associated with certain high-quality clinical trials. (Cost: $750 million over 3 years).

• **Redesigning and increasing enrollment in Medicare's premium assistance program for vulnerable seniors (extension of July executive action and new policy).** Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through the new, BBA provision that is supposed to help higher income beneficiaries. We are developing a range of proposals that build on the

President's actions in this area to better utilize Social Security Offices to educate beneficiaries about this program, to reduce administrative complexity for states and to give them incentives to engage in more aggressive outreach efforts. (Costs vary depending on policies; probably about $500 million to $2 billion over 5 years).

2. Health Insurance Coverage Expansions and Reforms Can they buy into FEHBP

• **Providing new coverage options for people ages 55 to 65 (FY 1999 budget; not passed).** Americans ages 55 to 65 have a greater risk of becoming sick; have a weakened connection to work-based health insurance, and face high premiums in the individual insurance market. This three-part initiative would: (1) allow Americans ages 62 to 65 to buy into Medicare, through a premium designed so that this policy is self-financed; (2) offer a similar Medicare buy-in to displaced workers ages 55 and over who have involuntarily lost their jobs and health care coverage; and (3) give retirees 55 and over whose retiree health benefits have been ended access to their former employers' health insurance. A proposal such as this would be minimally necessary for any serious consideration of proposals to raise Medicare's eligibility age. (Cost: About $1.5 billion over 5 years, which would assist about 300,000 people). Don't reintroduce? or link to elig age increase

• **Expanding health insurance options for people with disabilities --Jeffords/Kennedy bill (new policy, but the concept was endorsed by you in this past summer during your ADA anniversary commemoration).** People with disabilities who want to return to work not only lose their cash benefits (SSI and SSDI) but also lose their Medicaid and Medicare coverage. You succeeded in incorporating a provision in BBA that provides an option to states to allow workers to buy into the Medicaid program. Unfortunately, because of limitations that the Republicans insisted on incorporating (like an income cap on eligible populations), no state has yet taken up this option. Working with Senators' Jeffords and Kennedy, we are proposed to: (1) expand the BBA Medicaid buy-in option by lifting strict income and resource limits and allowing states to cover less disabled people as well (such as working people with HIV AIDS); (2) provide grants to states as incentives to take these options; and (3) extend Medicare coverage for people leaving SSDI for work. So far, the disability groups, the NGA and a growing bipartisan Congressional coalition are supportive. (Cost: about $1.3 billion over 5 years, offset by Medicare and SSA fraud savings that were in the FY 1999 budget).

• **Offering health coverage for the temporarily unemployed (FY 1997 and 1998 budgets; not passed).** Because most health insurance is employment based, job changes put families at risk of losing their health care coverage. In fact, 58 percent of the two million Americans who lose their health insurance each month cite a change in employment as the primary reason for losing coverage. This break in coverage not only leaves the worker and his or her family extremely vulnerable to catastrophic health care costs, it puts them at risk of losing the portability protection provided by the Kassebaum-Kennedy law. The proposal would provide temporary premium assistance for up to six months for workers between jobs who previously had health insurance through their employer, are in between jobs, and may not be able to pay the full cost of coverage on their own. (Costs depend on whether it is done as a demo (about $2.5 billion over 5 years, which would help about 600,000 people) or nationwide (about $10 billion over 5 years, which would cover about 1.4 million persons).

Unlikely

• **Providing coverage to parents of children on CHIP (new policy).** Since children who are uninsured usually have parents who are uninsured, an easy way to target uninsured adults is to extend eligibility for Medicaid or CHIP to parents of children covered by these programs. This has been done successfully in some states, through Medicaid 1115 waivers, and would be a logical next step to covering low-income adults. (Cost: Depends on the proposal and assumed take-up rates by the states).

• **Establishing a new state option to expand coverage through Medicaid eligibility simplification (new policy).** In the wake of welfare reform, Medicaid eligibility rules have become even more complex since states must cover people who would have been eligible for AFDC under the old rules. Additionally, Medicaid law allows states to cover parents but not adults without children --even if they are very poor. This proposal would allow states to opt for a pure poverty standard for Medicaid eligibility for all people (like we do for children) rather than the old categorical eligibility categories. Not only would such an approach simplify the Medicaid program for families and states; it would provide an opportunity for significant coverage expansion. While any change in Medicaid almost always raises concerns amongst some advocates, this proposal would be supported by the Governors and advocates such as the Center for Budget and Policy Priorities. (Cost: Depends on the proposal and projected coverage expansion take-up rates).

• **Establishing new and effective children's health insurance outreach initiatives (FY 1999 budget; not passed and new policy).** The success of the Children's Health Insurance Program (CHIP) and Welfare reform may well depend on our success at targeting and signing up the over 4 million children who are eligible, but not enrolled in CHIP or Medicaid. Last year's budget included several policies to promote outreach, including allowing states to temporarily enrolling uninsured children in Medicaid through child care referral centers, schools, etc; and allowing States to access extra Federal funds for children's outreach campaigns. An additional proposal is to pay for a nationwide toll-free number that connects families with state eligibility workers. NGA is sponsoring this line for one year only; such a line is essential for the nationwide media campaign that we are planning to launch in January with the NGA and America's Promise (Colin Powell's group). (Cost: Between $400 and $1 billion over 5 years.)

• **Establishing new voluntary purchasing cooperatives (FY 1997, 1998, and 1999 budgets; not passed).** Workers in small firms are most likely to be uninsured; over a quarter of workers in firms with fewer than 10 employees lack health insurance —almost twice the nationwide average. This results in large part because administrative costs are higher and that small businesses pay more for the same benefits as larger firms. This proposal would provide seed money for states to establish voluntary purchasing cooperatives. These cooperatives would allow small employers to pool their purchasing power to try to negotiate better rates for their employees. (Cost: about $100 million over 5 years).

• **Strengthening OPM's hand in negotiating with FEHBP plans to better constrain costs (new policy).** Last year, premiums in FEHBP rose by 8 percent; this year, they are projected to grow at a slightly higher rate. In part, this reflects trends out of FEHBP's control, such as continued rapid increases in drug costs and an aging employee population. However, it also results because OPM has fewer tools at its disposal than private sector employers. This proposal would increase the bargaining power of OPM as well as implement other provisions that could reduce health premium costs to both the Federal government and Federal employees. Although these types of proposals have been controversial since they affect plans that want to participate in FEHBP, there may be an opening this year because of two consecutive years of high premium growth. (Could be savings, depending on the proposal).

3. Public Health/Underserved Populations

• **Combating Resistance to Anti-biotics (Super Bug).** Recent reports have indicated that resistance to anti-biotics is becoming a major public health crisis. Some viruses, such as pneumonia and many hospital-based infections, are starting to beat even the strongest anti-biotics, causing prolonged illnesses and even death. For example, pneumonia, which impacts over 500,000 Americans per year, is becoming resistant to the strongest antibiotics. CDC believes that this critical public health problem is on track to affect more and more viruses. In the past we have generally addressed this by developing new antibiotics, but it is becoming increasingly difficult to keep developing antibiotics that do not become ineffective. However, this problem could be dramatically reduced if we knew more about which viruses are likely to become resistant and why and if drugs were prescribed and used more appropriately. For example, there are over 50 million inappropriate outpatient antibiotic prescriptions written annually. The budget could fund a major public health campaign that would: educate consumers and health providers to help assure appropriate use of anti-biotics; and improve surveillance and research efforts to understand which antibiotics are at risk for becoming ineffective and why. (Cost: up to $50 million).

• **Improving Access to Health Care in Underserved Rural Areas.** The 25 million Americans that live in rural areas frequently do not have access to adequate health care services. For example, the physician-to-patient ratio is more than 80 percent lower in rural communities and more rural Americans are uninsured and lack access to health care services. The budget could include an initiative that would help maintain and improve access to health care in rural communities by: giving grants to help develop creative emergency services to enable rural health facilities to remain operational and responsive to the needs of their populations; providing assistance to states to help take advantage of a Balanced Budget Act provision that provides higher Medicare payments to hospitals that revamp services to meet the specific needs of their communities; and increasing the number of health professionals in rural communities by providing loan repayments or scholarships to train rural Americans who are likely to stay in the communities to become nurse practitioners. (Cost: Unclear. Approximately $100 million).

• **Improving Access to Emergency Room Care for Veterans.** As part of the President's request to bring Federal health programs into compliance with the patients' bill of rights, the issue of whether the VA provides veterans adequate access to emergency room services has been widely publicized. The VA currently only reimburses for VA emergency visits at VA hospitals, which is certainly not consistent with the patient protection to assure emergency services when and where the need arises. We expect Senator Daschle to offer a proposal to extend VA access to emergency room services, and it may well be advisable for us to address this issue so we are not perceived as falling short on our commitment to apply the patients' bill of rights where we can. (Cost: VA's current proposal costs $550 million per year. However, OMB has been working to dramatically reduce the costs of this proposal).

• **Enhancing Drug Approvals, Food Safety, and other FDA priorities.** The FDA has unprecedented new challenges, including: a surge in promising technologies and drugs that need approval; increasingly challenging diseases, such as AIDS and emerging pathogens; important public health issues such as food and blood safety; as well as major new statutory responsibilities from FDA reform. However, funding for this agency has not increased in several years. This has serious implications for the agency, as food inspections, organ banks, and drug companies are rarely inspected and it is more challenging to meet drug approval needs. Since Congress has been unwilling to fund user fees for FDA, it may be necessary to make it a priority to fund FDA at higher levels (Cost: $100 to $300 million).

• **Food Safety.** The President's FY 2000 budget will build on the food Safety Initiative by expanding resources for collecting food safety data (Foodnet, Pulsenet), inspections (especially imports), and research. This continues the President's historic efforts to ensure food safety issues are considered as part of a comprehensive, science-based, policy.

• **Investing in Promising DOD Breast Cancer/Prostate Cancer Programs.** We have continually highlighted DOD's innovative, popular cancer research programs (most recently the President announced grants in the DoD prostate cancer research program in his Father's Day radio address). However, we have received increasing scrutiny as to why your budget never proposes funding for this critical program by advocates who question your commitment to this program and believe that the lack of an Administration proposal makes it much more difficult to lobby for this funding on the Hill. DoD is somewhat resistant to this concept as they believe that even though they have developed a model program in response to a Congressional mandate, cancer research is not within their military mission. (Cost: it is unclear what the Congress will propose for this year's funding (the Senate bill includes $250 million). If you chose to fund this area, we would need to at least match FY1999 funding and potentially increase this amount.

• **Continuing the President's Successful Race and Health Initiative.** The race and health initiative proposed in the President's FY1999 budget was extremely well received by the minority and public health communities. As part of this initiative designed to eliminate racial health disparities in six critical health areas, we committed to investing $400 million over five years. Therefore, it is important that the President's FY2000 budget include no less than the $80 million we promised for each year, and we may want to consider additional funding for this issue. (Cost: $80 million).

• **Investing in Promising Biomedical Research.** Your FY 1999 budget includes historic increases in the NIH. However, the Congress will no doubt fund NIH at higher levels, regardless of how much you propose in this area. Therefore, you could either continue to fund this research at historic levels or since Congress will likely anyway, you may want to propose less to make room for other priorities. (Cost: over $300 million to $1 billion).

• **Improving Access to Promising HIV/AIDS Drugs.** Since there has been so much progress in therapies for HIV/AIDS, the AIDS community has been pushing to expand access to these drugs. Their expectations were raised last year when the Vice President asked HCFA to look into the feasibility of a demo to expand Medicaid to patients with HIV at an earlier point in their disease. Depending where we end up on Jeffords-Kennedy, we may want to consider additional options to extend drug therapies for patients with HIV/AIDS. Last year, we proposed significant funding for the AIDS Drugs Assistance Programs (ADAP), but there may be other approaches. Regardless of Kennedy-Jeffords, we may receive a great deal of criticism from the community if we propose no increases for treatment or prevention. (Cost: approximately $100 million).

• **Improving Health for Medically Underserved Native Americans.** Native Americans have particularly poor health status (as much as five times higher diabetes rates, and three to four times the rate for SIDS). It is widely recognized that the IHS, the main resource for Indian tribes who deliver health programs to their communities, is not sufficiently funded to address the needs of this population. We could develop a number of initiatives to help improve health for Native Americans, including: focusing on particular health problems such as an elder care, domestic violence, or alcoholism; providing an overall budget increase allowing more resources for all services; or desperately needed improvements in sanitation or other public health infrastructure efforts. This would build on your efforts to elevate the Director of IHS to an Assistant Secretary position and your participation in the conference on "Building Economic Self-Determination in Indian Communities" and would compliment well the President's race and health initiative. (Cost: about $100 million).

4. Increase the Indian Health Service budget. In order to reach more of the targeted population, we should provide a significant increase to the IHS budget in order to address areas ~~such as substance abuse~~, elder health care, injury prevention, domestic violence and child abuse, and sanitation facilities.

HOMELESS

1. Homeless Veterans. The National Coalition of Homeless Veterans estimates that there are as many as 275,000 homeless veterans on any given night. According to the Department of Veterans Affairs, an approximately $60 million increase in funding would constitute the single largest investment into breaking the cycle of homelessness among veterans. This proposal would seek to increase residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing. The VA estimates that this proposal would positively impact approximately 100,000 to 150,000 veterans annually.

2. Allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans. OMB proposes to amend the Property Act of 1949 to create a 5-year pilot project for the VA to sell off property with 10 percent of the proceeds going to local homelessness projects under the McKinney Act (with this 10 percent being earmarked for homeless veterans) and the other 90 percent going to the VA for capital funds (buildings, equipment, infrastructure, but not staff). Currently, the way the law works is that all the proceeds from surplus property goes to homelessness, but this has not provided an incentive to the agencies to sell property because they do not get to keep any of the proceeds. OMB states that since 1989, only one piece of property has been sold under this provision. OMB will be circulating their proposal within a couple of weeks. OMB would propose to permit VA to sell 25 pieces of property, but does not have a cost estimate yet.

3. Homelessness Demonstration Project Modeled after TANF. Funds could be set aside in the FY2000 budget to create a demonstration project so that one state, region, or locality could try to move persons from homelessness to self-sufficiency. The demonstration project should set up performance goals similar to TANF so that there is a measure of how many persons have been made self-sufficient. There could be a performance bonus for the demonstration project if the goal of the project is met.

4. Medicaid Outreach Project for Homelessness. A Medicaid outreach project could be set up, similar to the CHIP outreach project, that would reach out and cover homeless persons. We should develop a cost estimate to determine that, over time, dollars would be saved if persons are treated under Medicaid rather than on an as-needed basis in emergency rooms and clinics. This idea could be expanded to reach out to more than simply the homeless population to include all groups who are Medicaid-eligible.

CONSUMERS

1. Consumer Bill of Rights. A consumer bill of rights could address a number of areas such as enforcement, notice to consumers, and dissemination of information. We could announce this bill of rights as a package, but then pull out separate pieces for separate events like we do in the Patients' Bill of Rights area. We could include a number of different areas such as the following:

- **Auto Insurance Fraud.** Auto insurance fraud is a $13 billion-a-year problem in America. We could propose significant funding for a Justice Department anti-auto insurance fraud. Since an estimated 13 percent of auto-insurance premiums go to pay for fraud, we could claim that this effort will help drive down auto-insurance premiums.

- **Slamming/Cramming.** Cramming, in which con artists add bogus charges to consumers' telephone bills, and slamming, the unwanted switching of long-distance telephone service from one carrier to another, and are the top two respective complaints reported to the National Fraud Information Center in 1998. In 1997, the FCC received more than 20,000 complaints from customers who were slammed. So far, the FCC has fined slammers, announcing a $5.7 million fine this year, and announced voluntary guidelines for cramming that local telephone companies say they will follow. We could add money for enforcement to the FCC and/or DOJ. In May, the Senate overwhelming passed legislation that would impose new penalties on slammers and would eliminate common slamming methods, such as contest entry forms that, when signed by unsuspecting customers, authorize a switch of their long-distance carriers.

- **Telemarketing Fraud.** Telemarketing fraud is among America's worst white-collar crimes, robbing unsuspecting victims of an estimated $40 billion per year. We could increase the FBI budget to increase investigations of this type of fraud. Recently, the Washington Post reported that volunteers from the American Association of Retired Persons (AARP) work undercover for the FBI, posing as potential victims to catch telemarketers on the prowl. Because telemarketing fraud often is targeted against the elderly, we could combine this piece with the elder abuse in a separate event.

- **ATM Proposal.** Weinstein proposes that Treasury publish an annual report on consumer financial issues, including ATM fees. In each report, Treasury would provide a list of insured financial institutions based on geographic divisions and by size. Treasury would report on the following categories: (1) Fees charged to depositors at ATMs at their home branches; (2) Fees charged by institutions to depositors using other banks ATMs; (3) Fees charged by ATM networks; (4) ATM fees charged to non-member depositors by institutions; (5) Minimum deposit requirements for checking and savings accounts; (6) Fees for overdrafts; and (7) Checking account fees. We will need to develop categories which underscore the differences in types of accounts. If we just list checking account fees, the fees that aren't reported would increase.

TOBACCO

1. Tobacco Counter advertising. Fund a $200 million per year tobacco Counter advertising and education campaign, as proposed in the President's 1999 budget and McCain legislation. This campaign would develop

Counter advertising and purchase enough media time to reach teens at least four times a week. The campaign would also fund an extensive school-and community-based anti-tobacco education campaign.

2. **Tobacco Cessation.** Each year, 20 million smokers attempt to quit, but only 1 million, or 5 percent, succeed. More than 90 percent smokers who attempt to quit do so on their own, and the vast majority fail within 2 to 3 days. However, research shows that effective cessation methods could raise success rates to 10-20 percent (over 2 million people annually). The Agency for Health Care Policy and Research (AHCPR) endorsed 5 smoking cessation methods that have been proven to be effective in helping people to quit: gum, patch, nasal spray, inhaler, and pill (Zyban). A full course of these treatments costs around $200-300 (for a three months supply, without counseling). However, less than half of managed care organizations provide coverage of any AHCPR-approved therapies, and those that provide coverage may impose cost-sharing requirements that hinder access to treatment. In fact, a study of managed care in Washington State found that eliminating copayments for smoking cessation services significantly increased participation rates.

3. **Continued call for comprehensive legislation to stop children from smoking before they start.** Total combined cost of all these initiatives: $855 million over 5 years. We could make a series of proposals, some part of the budget and some not: (1) Fall --announce new DOD anti-tobacco plan, and new DOL and OPM tobacco-free workplace programs; (2) Winter --propose Medicaid and Veterans coverage of cessation benefits through FY2000 Budget; and (3) Spring --tax coverage of cessation as a medical expense and expanded coverage of cessation benefits in FEHBP.

- **New Department of Defense anti-tobacco plan.** This plan is still being vetted at the agency but 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: $60 million per year.

- **Anti-tobacco workplace initiatives by DOL and OPM.** DOL could expand its drug-free workplace initiative to provide information to employers on steps they can take to reduce tobacco use among employees (cost: $63,000 per year). OPM could disseminate a model workplace cessation program for all federal agencies (agencies would use existing appropriated funds).

- **Medicaid coverage.** Currently, smoking cessation prescription and non-prescription drugs are optional state benefits under the Medicaid statute. We could propose to require states to cover cessation, as the McCain bill did (CBO estimated cost: $120 million over 5 years, HCFA estimated $114 million). Alternatively, we could propose an enhanced federal matching rate for smoking cessation treatments, in order to offer the states an incentive to cover these services. The Hansen-Meehan bill establishes a 90 percent match rate for state costs of smoking cessation services at an estimated cost of about $110 million over 5 years. Currently, 23 states cover Zyban, 6 states cover non-prescription treatments, and 5 states cover cessation counseling. A study by the Center on Addiction and Substance Abuse at Columbia University found that over 42 percent of Medicaid recipients smoke, as compared to 25 percent of the general population and that nearly 10 percent of all Medicaid hospital days are attributable to smoking.

- **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.) The VA would contract with private sector entities to furnish AHCPR-approved services to interested veterans. OMB estimates that this proposal would cost $87 million for the first year, and $435 million over 5 years. Thirty-six percent of the 25 million veterans in this country smoke.

•**Tax Treatment.** Currently, the cost of cessation treatment cannot be claimed as a deductible medical expense because the IRS does not recognize smoking or tobacco addiction as a "disease." The IRS has indicated in written opinions that an official medical authority classification of smoking as a disease would allow cessation to deduct these expenses. Treasury is interested in pursuing this in 1999. This would be done outside of the budget.

• **Federal Employees Health Benefit Program.** We could require enhanced coverage of smoking cessation services. One option is to raise coverage limits to more accurately reflect the cost of AHCPR-approved treatments, and to raise the number of treatments allowed per lifetime to account for the fact that the average smoker requires three to five cessation attempts before they successfully quit (i.e., require coverage of $300-400 per treatment, with three maximum treatments covered per lifetime). Another option is to waive the deductible and copayment requirement for cessation benefits. Currently FEHBP fee for service plans, which cover 70 percent of beneficiaries, are required to provide only $100 in smoking cessation benefits. Generally, this coverage does not kick in until after the calendar-year deductible has been met, and most plans restrict benefits to once per lifetime. Many plans only cover prescription drugs. HMO coverage of smoking cessation benefits varies greatly. This would be done outside of the budget, but would have to occur in the spring as part of OPM's annual letter to contracting plans, establishing the terms for the following year of coverage.

Add Industry ~~Documents~~

SAMSA Survey

WELFARE

1. Helping the Hardest-to-Employ Get and Keep Jobs.

• **Extend Welfare-to-Work Grants and Strengthen Focus on Fathers.** Funding for the $3 billion grant program that the President fought for in the Balanced Budget Act ends in FY 1999. These funds are targeted at the hardest-to-place welfare recipients, and non-custodial parents of children on welfare, and at concentrated areas of poverty. 75% of the funds are allocated to states, who in turn pass them to local Private Industry Councils and 25% of the funds are available on a competitive basis. We expect DOL to propose extension of the grant program in their FY 2000 budget proposal. We should consider revising the statutory language to increase the focus on increasing employment of fathers. While there is a significant level of interest in serving this population, there is likely more we could do to increase the quantity and quality of services. This should also increase support from the Ways & Means committee as Shaw is very interested in fatherhood issues. Possible approaches include requiring states and communities to designate a minimum portion of WTW formula funds for fathers, setting aside a portion of competitive grant funds for this purpose, or earmarking funds for needed technical assistance and capacity building on this relatively new area. Other changes worth considering: shifting more funds toward competitive grants, increasing tribal set aside (currently 1%), and streamlining data collection requirements. Assuming level funding, this would cost $1.5 billion annually.

•**Request Additional Welfare-to-Work Housing Vouchers.** We are unlikely to get the full 50,000 housing vouchers requested for FY 99. This approach continues to have merit, both in helping families move from welfare to work and as a catalyst for changing the way local housing authorities, and HUD, do business. Cost to fully fund 50,000 vouchers is $283 million. Some, including Deich and Edley, have also suggested allowing housing authorities to convert Section 8 vouchers that are turning over to the more flexible approach of the WTW vouchers. IDA fund?

• **Invest in Increasing English Language and other Literacy Skills.** There is evidence that those with low education levels have a harder time leaving welfare. There is also emerging evidence that English language may be a barrier for some minority welfare recipients, including immigrants. We may want to explore whether there is more the federal government could do to increase access to ESL and other basic education that is combined with work, though this does not necessarily have to be done with TANF funds. We need to first explore what is available, whether there are successful models that can be replicated, and what the demand is. (Adult Ed)

2. Helping New Workers Succeed in the Workforce/Achieve Self-Sufficiency.
There are several ways to ensure people moving from welfare to work can get to their jobs:

• **Request full $150 million authorized for Access to Jobs for FY 2000 (TEA-21 set guaranteed funding from the Highway Trust Fund at $60 million for FY 2000).** This would allow DOT to fund more competitive grants. Note these funds can be spent on current and former welfare recipients, as well as families up to 150% of poverty so they help the working poor as well.

• **Donate surplus federal vehicles to welfare to work programs.** These could be given, leased, or sold to current and former welfare recipients for whom public transit it not a viable option, including those living in rural areas. Cars could be allocated through community-based organizations or intermediaries. This could be modeled after the initiative to donate federal computers to schools.

•**Help former welfare recipients access funds to purchase cars.** In some areas, public transit is not a viable option for a family moving from welfare to work. In addition, owning a car is something many poor families aspire to, and something that helps them become part of the economic mainstream. Family Services of America, and other organizations, currently offer revolving loans for low income families to purchase cars. FSA's model currently operates in 20 sites and is scheduled to expand to 60 sites later this Fall, with partial funding from foundations and private financial institutions. They are also seeking federal funding to help with this expansion. Possible sources include: HUD, Treasury, DOL WTW grants, as well as existing federal and state TANF funds. Another option is to expand allowable uses of IDAs to include purchasing a car needed to go to work. Nations Bank

•**Connection between TANF and Unemployment Insurance.** There is growing interest in exploring the relationship between these two systems. Historically, few welfare recipients have qualified for UI, and some have essentially used AFDC as a form of unemployment insurance. As more welfare recipients joining the labor force, we need to consider the most appropriate way to provide income support to them between jobs. Various approaches include: (a) changing rules of the UI system that make it hard for former welfare recipients to qualify for UI once they go to work and in the event they lose a job and (b) creative uses of federal TANF or state MOE funds to provide income support to people in between jobs. Either approach should be accompanied by a strong effort to promote job

#1 Need something new / sounds big   requiring fathers to work

retention and rapid re-employment. This could be considered as part of a more comprehensive UI reform initiative that NEC has been considering, but it would not depend on that. NOTE: NGA has a grant to explore this issue and several states are trying innovative approaches. While we do not have to frame the issue in terms of planning for economic downturns, it seems prudent to address this issue earlier rather than later.

•**Optional State Coverage Expansion Through Eligibility Simplification** (new policy). In the wake of welfare reform, Medicaid eligibility rules have become even more complex since states must cover people who would have been eligible for AFDC under the old rules. Additionally, Medicaid law allows states to cover parents but not adults without children --even if they are very poor. This proposal would allow states to opt for a pure poverty standard for Medicaid eligibility for all people (like we do for children) rather than the old categorical eligibility categories. Not only would such an approach simplify the Medicaid program for families and states; it would provide an opportunity for significant coverage expansion. While any change in Medicaid almost always raises concerns amongst some advocates, this proposal would be strongly supported by the Governors and advocates such as the Center for Budget and Policy Priorities. (Cost: Depends on the proposal and projected coverage expansion take-up rates).

•**Transitional Medicaid.** Families can currently receive Transitional Medicaid for up to 12 months after leaving welfare, but only about 20 to 30 percent of eligible families are enrolled. The program has many procedural hurdles that make it more difficult to access than regular Medicaid coverage and the 12 months transitional period is too short for many families. The budget could eliminate some of the current prescriptive reporting requirements now in the law (that, for example, requires families to report earnings in the fourth, seventh, and tenth months of coverage and divides the 12 months of coverage into two 6 month segments with different co-pay and benefit rules) and allow states to provide a full 12 months of coverage without regard to changes in family circumstances, similar to the 12-month option for children that was adopted in the Balanced Budget Act. In addition, the budget could provide states the option of extending transitional Medicaid to 24 or 36. These ideas ~~need~~ to be fully discussed, vetted, and costed out. The current program reauthorization sunsets in 2001.

•**Extend the Work Opportunity Tax Credit and Welfare-to-Work Tax Credits** (WOTC has already expired and WTW will expire in 1999).

• Child support . . .

DISABILITY POLICY

1. Expanding the Defense Department's "CAP" program. The Defense Department's Computer Accommodations Program ("CAP") purchases equipment for DOD employees with disabilities to allows them to keep working if they become disabled, or for new employees just joining the workforce. By using a central $2 million fund for such purchases, individual offices do not have to bear the cost within their own budgets, and are less likely to be deterred from hiring a person with a disability. CAP is also able to get better prices on equipment through its bulk purchases and expertise. It has a showroom to help employees try out appropriate adaptive devices (CAP makes the decision on what equipment is purchased, not the employee). It has provided over 9,000 accommodations since its inception in 1990. This program is a good example of how employers and employees are taking advantage of new (and increasingly cheap) technology, such as computers for the blind that talk and listen, and alternative computer keyboards for people with dexterity problems, that allow people with disabilities to work. Expanding the program has the strong support of the Administration's appointees with disabilities, in particular for Tony Coelho, chair of the President's Committee on Employment of People with Disabilities.

Defense has estimated that it would cost $8 million a year to expand CAP government-wide, but this is likely overstated since CAP now serves the entire Defense Department for $2 million a year. A more realistic range is $2 -5 million a year. While having DOD perform this service for all federal employees is a bit unusual, they have a great deal of expertise at this task and they are ready to take on the added responsibility.

2. Tax Credit for Disability Related Expenses. New tax credit for employers and/or individuals with disabilities with extraordinary disability-related expenses, such as assistive technology or a personal assistant. The proposed credit would allow a credit of 50 percent of the first $10,000 of disability-related work expenses. [Need Treasury information on scoring.]

3. New BRIDGE grant program. This program would create interdisciplinary consortiums of service providers (employment, transportation, etc.) to better assist people with disabilities in going to work. NEC and DPC will receive revised proposal shortly from the President's Task Force on Employment of People with Disabilities and will evaluate and vet.

4. Information and Communication Technologies for People with Disabilities. NEC has developed draft proposals now being vetted to ensure that new technologies will be designed from the beginning to be accessible to people with disabilities. Ideas include leveraging federal government procurement, investing in R&D, funding industry consortia, training the next generation of engineers, etc. (Tom Kalil is working on this, coordinating with DPC and OMB).

Tobacco Industry Documents. In October, we expect to receive a plan from HHS outlining how to make tobacco industry documents more accessible to the public. Follow up work will be needed to implement this plan. While we can probably secure some private funding for this purpose, it is likely that federal funding will also be needed.

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Effects of Welfare Reform on Unemployment Insurance

by
Wayne Vroman

Number A-22 in Series, "New Federalism: Issues and Options for States"

One goal of welfare reform is to move larger numbers of welfare recipients into work. If the aims of the 1996 federal welfare reform legislation are achieved, by 1998 more than a quarter of the roughly 4 million adults who received Aid to Families with Dependent Children (AFDC) will be active labor market participants, and half are slated to join the workforce by 2002. Many, if not most, will no longer be receiving welfare benefits at that time.[1]

Low education and lack of work skills and experience put current and former welfare recipients at special risk of unemployment. The national un employment rate for persons 16 and older in the labor force averaged only 4.9 per cent in 1997, but former welfare recipients can be expected to have jobless rates that are twice the national average.[2]

Nonetheless, the anticipated in crease in the unemployment pool resulting from welfare reform is modest. Because of low earnings and other factors, only a small fraction of adult welfare recipients who enter the labor market will become eligible for unemployment insurance (UI) benefits under current rules. Moreover, neither federal nor state laws governing eligibility are likely to change in ways that will enhance access to unemployment benefits for unemployed former welfare recipients. Thus, these new workers' impact on the UI system, in terms of added beneficiaries and costs, will be hardly noticeable.

How Unemployment Insurance Works

State UI programs are designed to pay cash benefit payments to individuals who lose jobs through no fault of their own. These payments provide temporary, partial re placement for the loss of labor market earnings occasioned by unemployment. In 1996, the number of active claimants averaged 2.6 million per week or 35 percent of all unemployed persons aged 16 and older. Benefits typically equal 50 to 70 percent of previous after-tax wages for weeks when benefits are received. Aver age benefit duration ranges between 13 and 16 weeks, with a limit of 26 weeks.

Unemployment insurance programs are administered by the states and exhibit considerable variation. In 1996 the weekly wage of covered workers averaged $548 nationwide, but ranged from more than $700 in three states to less than $400 in two states (table 1). The nationwide ratio of insured unemployment (active claimants or IU) to total unemployment (TU) among all persons 16 and older averaged 0.351 in 1996. But state-level IU:TU ratios fell below 0.250 in eleven states and exceeded 0.500 in five states. Low IU:TU ratios were more common in the southern and Rocky Mountain states, while high ratios were more characteristic of states in the Northeast and along the Pacific coast.

Interstate diversity in benefit recipiency rates reflects both monetary and nonmonetary UI eligibility requirements. Monetary eligibility criteria vary among states, but typically the claimant must have earnings that exceed specified amounts during an earlier 12-month base period. In nearly all states, the base period is the earliest four of the past five fully completed calendar quarters. To be monetarily eligible, the claimant must have earned more than a specified amount for the full base period and a second (lower) amount for the quarter of highest earnings during the base period.[3]

Small Impacts on the System

Knowing how many unemployed workers in the general population apply for and receive UI benefits helps us understand why former welfare recipients who are unemployed will have only a modest effect on the UI system.

About half of all persons who experience unemployment apply for unemployment benefits. The combined effects of monetary and nonmonetary disqualifications preclude about 30 percent of applicants from receiving benefits. Others who satisfy all eligibility criteria do not actually collect benefits mainly because they return to work quickly following their job separations. In the aggregate, the number of actual recipients ranges from 60 percent to 70 percent of applicants. Between 1990 and 1996, the national recipiency rate averaged 0.34 of all unemployed individuals. Recipiency rates are highest during the early stages of recessions when an increased share of the unemployed are job losers. Within the pool of unemployed persons, UI recipients are disproportionately job losers, disproportionately older, and disproportionately male.

Relative to the current pool of jobless workers, unemployed welfare recipients would be less likely to receive UI benefits for four reasons. First, a measurable share who experience unemployment will find it difficult to satisfy UI's monetary eligibility criteria, which most adversely affect workers paid low hourly wages. Although monetary eligibility requirements are not particularly stringent for full-time workers and those with hourly earnings close to the statewide average,[4] they are more stringent for those who work short weekly hours and/or are paid low hourly wages. Former welfare recipients are not likely to earn the average weekly wage due both to short hours and low wage rates. If a single mother formerly on AFDC in Kentucky makes, say, only $103 working 20 hours a week at the minimum wage ($5.15), she would have to have worked 14.6 weeks to qualify for UI, in contrast to the 3.1 weeks for the worker receiving the average weekly wage (table 1).

Second, the definition of the base period for determining earnings eligibility is also likely to reduce this population's access to unemployment benefits. Most states do not recognize recent earnings—from the quarter when the UI claim is filed and from the full preceding calendar quarter—in determining monetary eligibility. This often makes it difficult for low-wage workers who are paid on an hourly basis and who work intermittently—both categories that apply to former AFDC recipients—to meet the earnings required for UI eligibility.[5]

The third factor inhibiting former welfare recipients' receipt of UI benefits is related to the reasons for leaving work. Quits and discharges for misconduct typically disqualify applicants for unemployment benefits. The disqualification penalty usually lasts for the entire spell of unemployment, plus a short time interval at the subsequent job while the person "requalifies."[6] The majority of former AFDC recipients are single mothers who have family responsibilities that are likely to cause above-average rates of separation from work for reasons that will be deemed disqualifying. Fewer than half of states recognize personal reasons for leaving employment such as to take care of illness in the family, nor do they allow benefit payments when the person later seeks reemployment. In short, disqualifying job separations will probably occur more frequently among former welfare recipients than among the overall unemployed population.

Finally, all states require that the UI applicant be able to work and be available for work. Since availability in most states is interpreted to mean availability for full-time work, this would cause many eligibility disqualifications among former welfare recipients. Other reasons for disqualifications could include failure to provide evidence of active work search and failure to report for required periodic reassessments of continuing eligibility.

Low Added Costs

Due to the inability to satisfy monetary or other UI eligibility criteria, no more than 20 percent of former welfare recipients who experience unemployment would be expected to be eligible for unemployment benefits. Moreover, the per case cost for these eligibles is likely to be 40 to 50 percent lower than the costs for current UI recipients. Below-average base period earnings would limit former welfare recipients' weekly benefits and weeks of potential benefit duration.[7]

Assuming that welfare reform added 1 million persons to the labor force in 1998 and that former welfare recipients had an unemployment rate of 10 percent, the total number of unemployed individuals nationwide would increase by 100,000.[8] If 20 percent of former welfare recipients receive UI benefits and have a per case cost that is half the national average, the number of UI beneficiaries would increase by about 20,000 in 1998 and costs by about $100 million (in 1996 dollars). This would represent a 0.8 percent increase over the current UI caseload and a 0.5 percent addition to total benefit costs. In the year 2002 both percentages would be doubled, assuming that, by then, 50 percent of former AFDC recipients had joined the labor force and that the unemployment rate for adult welfare recipients was about 10 percent, or twice the national average. These added costs are modest, and would be even lower if the McMurrer, Sawhill, and Lerman (1997) estimates of added labor force growth are correct.

Laws Unlikely to Expand Eligibility

Existing factors that limit low-paid, hourly workers' access to UI are set by laws that are unlikely to relax in the current economic and political climate. The states determine most legislation governing UI benefits and taxes but must satisfy federal requirements pertaining to timely eligibility determinations, a minimum UI tax base per covered worker, and a maximum employer tax rate. Faced with prospective new UI claimants due to welfare reform, one might expect state-level legislation to ease the transition into the labor market for AFDC recipients. But UI legislation to assist such persons has not emerged in 1997–1998, nor is it on the horizon. Moreover, current state and federal laws that severely curtail the number of low-wage workers (and thus former welfare recipients) eligible to receive unemployment are not likely to change soon in ways that will broaden this population's access to UI benefits.

This seems to be the case despite suggestions at the national level to liberalize eligibility criteria. Among its 1996 recommendations, the Advisory Council on Unemployment Compensation (ACUC)—appointed by Congress and the president to suggest ways to improve the UI system—stipulated methods of increasing access to benefits.[9] The recommended changes, if implemented, would be favorable to low-wage workers, including former welfare recipients. Among the ACUC suggestions: base UI eligibility on hours of work rather than total earnings; offer an alternative base period that would include some or all recent earnings; and allow those seeking part-time work to be eligible for UI if they previously worked part-time. It is unlikely, however, that more than a few states will voluntarily adopt many of the ACUC recommendations relating to expanded benefit access—because of possible increases in UI taxes that could follow.

Most states appear motivated to operate UI programs at their current level or at a reduced scale, not to expand eligibility. The trend among state legislatures is to lower taxes to favorably affect the business climate and to tighten UI administration to ensure that eligibility provisions are clearly defined and strictly enforced. States' desire to hold down unemployment insurance costs was reflected in their response to the most important federal UI legislation of the 1990s—the Emergency Unemployment Compensation (EUC) Act of 1991. Under this legislation, states were given the option of establishing an alternative mechanism for triggering federal-state Extended Benefits (EB), which are financed on a 50-50 basis by the states and the federal government. Only seven states elected to implement the alternative trigger, even though it was generally recognized as more likely to activate EB than the preexisting trigger.

The EUC program also provided federally funded emergency UI benefits to state-identified long-term unemployed persons who exhausted regular UI benefits. All states, to one extent or another, gamed the EUC program by making it easier for claimants eligible for benefits from the state-financed regular UI program to secure "alternative" EUC benefits. Workers with remaining EUC eligibility were given a choice between state-financed regular UI and federally financed EUC benefits. Of the two, EUC typically provided for higher weekly payments. A worker electing to receive EUC payments retained full eligibility for regular UI benefits after EUC eligibility was exhausted. Not surprisingly, when presented with the option, most claimants elected EUC. Both responses to EUC were largely motivated by state desires to economize on state-financed costs of UI benefits.

Legislative changes at the state level underscore states' reluctance to expand UI eligibility or to increase employer UI taxes. Between 1992 and 1997, 14 states added provisions to disqualify from eligibility persons discharged from employment for refusing to take a drug test. During the same period, 13 states enacted provisions that disqualify employees of temporary help agencies whose temporary assignments ended but who did not report back to their agency prior to filing for benefits. Thus, while some individual states may modify eligibility provisions to enhance the eligibility of low-wage workers for UI benefits, this practice seems unlikely to be widespread.

In addition, over the last few years states such as Kansas and North Carolina, which traditionally have maintained large UI trust fund balances, have enacted major UI tax reductions. (In 1997 alone, 16 states enacted UI tax reductions.) The consequences of these reductions are not immediately apparent because the economy is operating close to full employment. These UI tax cuts are slowing the pace of trust fund accumulations that typically occur during periods of economic expansion.[10] At the end of 1997, reserves as a percentage of covered wages had only been restored to about 80 percent of their levels at the end of 1989, just prior to the last recession. It is clear that state UI programs will enter the next recession with fewer reserves than at the start of the last recession in 1990. This overall financing situation may also militate against UI eligibility expansions that could benefit welfare recipients moving into the workforce.

Looking Forward

Under a 1998 congressional proposal, added monies for the administrative costs of implementing UI would be made available to states that enact an alternative base period. Given congressional action during 1997 on the so-called Pennington case, however, it seems unlikely that the proposal will be enacted.[11] In the near term, it is not likely that we will see widespread adoption among the states of an alternative base period that would increase access to UI benefits among unemployed low-wage workers.

If instituted by states, an alternative base period would have direct implications for welfare reform. Adult welfare recipients who work are disproportionately low-wage workers who would benefit from easier monetary eligibility requirements. However, an unemployed welfare recipient must also satisfy nonmonetary eligibility criteria. Quits and discharges will still disqualify individuals from UI eligibility in most cases, and many states require that UI claimants be available for full-time employment. Thus, it is not obvious that the receipt of benefits by unemployed former AFDC recipients—most of whom are mothers and many of whom desire part-time jobs—would be significantly enhanced by the alternative base period.[12] Nonetheless, the adoption of an alternative base period would extend eligibility to more low-wage workers than at present.

Former welfare recipients will increasingly enter the labor market, possibly swelling the total labor force by an additional 2 million persons by 2002. These individuals will have below-average skills and will experience above-average unemployment. During their spells of unemployment, a low fraction, perhaps one in five, will collect UI benefits. This low rate of recipiency will be attributable to low levels of earnings and failure to meet other UI eligibility criteria related to the circumstances of leaving work and to availability for work.

Unemployment insurance programs in the states will hardly notice the presence of these added adults in the labor force. Nor is it likely that UI programs will evolve in ways to enhance the eligibility of these persons. UI will play a very limited support role for former welfare recipients—a fact that will have particularly serious consequences for those who reach the lifetime limit for receipt of TANF benefits.

Notes

1. AFDC was eliminated by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. When referring to welfare benefits in 1997 and beyond, we mean assistance provided by AFDC's successor program—Temporary Assistance for Needy Families (TANF).

The initial work requirement in 1997 for most welfare families was 20 or more hours per week. The number of weekly hours is higher in later years, except for families headed by a single woman with a child under age six. Welfare recipients face time limits on the potential duration of payments. These limits are likely to increase labor market activity among welfare recipients.

2. Assumptions made about the future work patterns of former welfare recipients are based on studies of the employment patterns of low-wage workers and women who received welfare in the past. See Gustafson and Levine (1997), Kaye (1997), and Vroman (1995).

3. The dollar thresholds for base period earnings and high quarter earnings vary considerably. Also, there may be requirements that specify minimum weeks of employment, minimum hours worked, or other patterns for earnings beyond the base period and the high quarter. About one-third of UI programs have one of these additional monetary eligibility requirements.

4. Table 1 expresses states' base period earnings requirements in terms of base period weeks of employment needed for eligibility. The base period earnings requirements are generally low, with only nine states requiring amounts above $2,500. Since former welfare recipients would be expected to earn below-average weekly amounts, the table also shows weeks of employment needed to satisfy base period earnings for those paid the federal minimum wage of $5.15 per hour. For persons working a 40-hour week at the minimum wage, the base period requirement exceeds 13 weeks in just eight states. For persons working 20-hour weeks at minimum wage, it exceeds 13 weeks in 32 states. Even for those working 20 hours at the minimum wage, however, in only eight states would the base period requirement translate into more than 26 weeks of employment. In general, monetary eligibility criteria alone, though varied, are not that difficult to satisfy.

5. Gustafson and Levine (1997), for example, found that roughly half of former welfare recipients in the National Longitudinal Survey of Youth would satisfy simulated UI monetary eligibility in data spanning from 1979 to 1994. Kaye (1997) found the monetary eligibility proportion to be even lower, roughly one-third of former welfare recipients.

6. Requalification periods effectively preclude eligibility during an initial interval at the subsequent job, even if the person is laid off from that job.

7. UI benefit formulas in most states operate to limit potential benefit duration for low-wage workers to fewer than 26 weeks—often fewer than 20 weeks.

8. Estimates of annual additions to the labor force caused by welfare reform made by McMurrer, Sawhill, and Lerman (1997) are considerably lower, about 140,000 per year. Their estimates imply an increased labor force of about 300,000 in 1998 and somewhat less than 1,000,000 in 2002 due to welfare reform.

9. See Advisory Council on Unemployment Compensation, 1996, *Collected Findings and Recommendations*, 1994– 1996, Washington, D.C. The council suggested 52 changes in the unemployment insurance system.

10. For the six years 1984 through 1989, aggregate trust fund reserves in state accounts increased by an average of $7 billion a year. For the five years 1993 through 1997, the increase in these accounts averaged $3.5 billion per year.

11. A court case in Illinois decided in favor of Lovella Pennington, a UI applicant ineligible under the Illinois base period who would have been eligible if the state had offered an alternative base period that recognized more recent earnings. Congress then overrode this decision in the U.S. Department of Labor's appropriation bill for the current fiscal year, by stipulating that only states could set the base period used to determine monetary eligibility.

12. Simulations by Gustafson and Levine (1997) suggest that monetary eligibility would be raised by 6.5 percent under an alternative base period. This estimate closely matches estimates made by Vroman (1995). However, nonmonetary disqualifications still would prevent many of these persons from receiving UI benefits. Gustafson and Levine estimate that 10 percent or fewer of applicants previously ineligible for UI benefits would collect benefits under the alternative base period.

Related Reading

Gustafson, Cynthia, and Phillip Levine. 1997. "Less-Skilled Workers, Welfare Reform, and the Unemployment Insurance System." Working Paper, University of California at Berkeley, Dept. of Economics.

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McMurrer, Daniel, Isabel Sawhill, and Robert Lerman. 1997. "Welfare Reform and Opportunity in the Low-Wage Labor Market." *Opportunity in America*, no. 5 (July), the Urban Institute.

Vroman, Wayne. 1995. "The Alternative Base Period in Unemployment Insurance: Final Report." Unemployment Occasional Paper 95-3, U.S. Department of Labor, Employment and Training Administration.

Tables & Figures

Table 1
Selected Data on State Unemployment Insurance Programs by State

State	Average Weekly Wage 1996	Ratio of UI Claimants to Unemployment 1996	Base Period Earnings 1997[a]	Base Period Earnings Requirement Expressed as Weeks of Work: State Avg. Weekly 1997	40 Hours at Min. Wage 1997	20 Hours at Min. Wage 1997
Alabama	471	0.314	1032	2.1	5.0	10.0
Alaska	587	0.532	1000	1.6	4.9	9.7
Arizona	499	0.204	1500	2.9	7.3	14.6
Arkansas	418	0.444	1323	3.0	6.4	12.8
California	601	0.393	1125	1.8	5.5	10.9
Colorado	541	0.253	1000	1.8	4.9	9.7
Connecticut	707	0.417	600	0.8	2.9	5.8
Delaware	594	0.403	720	1.2	3.5	7.0
District of Columbia	773	0.344	1950	2.4	9.5	18.9
Florida	481	0.248	3400	6.8	16.5	33.0
Georgia	530	0.226	1350	2.4	6.6	13.1
Hawaii	501	0.395	130	0.2	0.6	1.3
Idaho	441	0.435	1430	3.1	6.9	13.9
Illinois	602	0.402	1600	2.6	7.8	15.5
Indiana	510	0.270	2750	5.2	13.3	26.7
Iowa	448	0.354	1190	2.6	5.8	11.6
Kansas	464	0.263	2010	4.2	9.8	19.5
Kentucky	464	0.286	1500	3.1	7.3	14.6
Louisiana	475	0.199	1200	2.4	5.8	11.7
Maine	444	0.434	2620	5.7	12.7	25.4
Maryland	557	0.321	900	1.6	4.4	8.7
Massachusetts	656	0.511	2000	2.9	9.7	19.4
Michigan	608	0.423	2010	3.2	9.8	19.5
Minnesota	549	0.347	1250	2.2	6.1	12.1
Mississippi	409	0.305	1200	2.8	5.8	11.7
Missouri	509	0.338	1500	2.8	7.3	14.6
Montana	390	0.416	1398	3.4	6.8	13.6
Nebraska	438	0.288	1200	2.6	5.8	11.7
Nevada	518	0.359	400	0.7	1.9	3.9
New Hampshire	535	0.209	2800	5.0	13.6	27.2
New Jersey	684	0.433	2020	2.8	9.8	19.6
New Mexico	433	0.182	1421	3.2	6.9	13.8
New York	723	0.389	1600	2.1	7.8	15.5
North Carolina	482	0.327	2791	5.6	13.6	27.1
North Dakota	401	0.368	2795	6.7	13.6	27.1

Ohio	531	0.303	2860	5.2	13.9	27.8
Oklahoma	437	0.225	1500	3.3	7.3	14.6
Oregon	511	0.451	1000	1.9	4.9	9.7
Pennsylvania	547	0.535	1320	2.3	6.4	12.8
Rhode Island	496	0.725	1900	3.7	9.2	18.4
South Carolina	454	0.268	900	1.9	4.4	8.7
South Dakota	382	0.207	1288	3.2	6.3	12.5
Tennessee	493	0.334	1560	3.0	7.6	15.1
Texas	547	0.222	1628	2.9	7.9	15.8
Utah	461	0.243	1900	4.0	9.2	18.4
Vermont	459	0.488	1723	3.6	8.4	16.7
Virginia	525	0.187	3250	6.0	15.8	31.6
Washington	543	0.449	3502	6.2	17.0	34.0
West Virginia	449	0.317	2200	4.7	10.7	21.4
Wisconsin	491	0.552	1696	3.3	8.2	16.5
Wyoming	430	0.321	1750	3.9	8.5	17.0

Source: U.S. Department of Labor, Unemployment Insurance Service, and the Urban Institute. State average weekly wages in 1997 assumed to be 4 percent higher than in 1996.
a. Earnings in the 12-month base period (typically the earliest four of the past five completed calendar quarters) required for monetary eligibility.

About the Author

Wayne Vroman is an economist at the Urban Institute. He has conducted research on social protections related to work in juries, old age, and unemployment. His main focus of research is unemployment insurance.

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How to contact the Urban Institute.

How to order Urban Institute Publications.

3. Job Creation in Distressed Communities.

•**Local Infra structural Improvement and Economic Revitalization Fund.** Emil forwarded this idea to establish a Federal grant program to fund local Infra structural improvements. This would spark revitalization of declining or stagnant low-income areas by providing funds to upgrade local infrastructure. These Federal dollars could leverage State, local, and private funds for such Infra structural efforts.

•**Community Revitalization Tax Credit.** LISC proposes a Community Revitalization Tax Credit (CRTC) --similar to the Low-Income Housing Tax Credit --to help stimulate private-sector investment in commercial property in under served neighborhoods.

•**Community Development Corporation Tax Credit.** In 1993, we put in place a demonstration tax credit for investors in 20 CDCs. According to this report for Bruce Katz' shop at Brookings, this program has been effective. We could propose expanding this CDC tax credit to more areas. The author of this report also proposes some changes to make the tax credit more effective.

extend — what does this mean? ~~It would be~~ Does it mean put them all on a consistent, longer cycle so we don't go through the start/stop business? or does it mean working at eligibility?

•**Expand and Rationalize Employer-Side Tax Incentives.** This includes EZs, Welfare to Work, WOTC, DC Jobs Credit.

note WOTC expired 6/30 + WTW will expire 4/30/99

•**Working Ventures Fund.** Fund one or more national non-profits to fund, evaluate, share best practices, develop networks, and link non-profits to their business community, in the job training and placement field, as LISC and Enterprise do in the housing

This cd build on Partnerships partnership of Enterprise in 8 cities

•**Community Empowerment Fund.** a) Include targeting for welfare to work projects; b) allow links to venture capital focused on minority-owned or small business in distressed areas; c) eliminate mandatory pledge of CDBG dollars for CEF loans.

•**Metro Jobs/Community Development Corporation (CDC) Links.** Would target job-poor but CDC-served central-city neighborhoods to create or strengthen a welfare-to-work infrastructure that is place-based but people-focused and regional in orientation (where the jobs are). Would build on HUD's Bridges to Work and complement DOL and HHS efforts, focusing on concentrations of assisted housing run by CBOs.

I'm not too enthusiastic about this -- it's just transp, so maybe funding that's not enough; it

Isn't this a subpart of "Working Ventures Fund"?

4. Low Income Savings.

•**Asset Development for Section 8 Voucher Recipients.** Currently, an individual still sees the size of their rent subsidy reduced for each extra dollar he/she earns. This new idea from Liebman and Orszag would roll-over any savings --or a part of the savings --from

we have ATJ for the transp part of the problem

11. "High Hopes" for Adults. While the President has made enormous progress in making available resources for higher education for people of all ages, the primary focus of Administration informational campaigns and initiatives like High Hopes have been to encourage young people to go to college. A new initiative could combine two efforts. First, the Administration could launch an informational campaign encouraging adults to go back to school and inform them of new resources available to help, including Lifetime Learning and Hope Scholarship Tax Credits, Individual Training Accounts under the new Workforce Investment Act, and Pell Grants (which apparently few realize can be used for part-time students). Second, a new "High Hopes" grants program targeted at adults, partly focused on encouraging minorities and women to go back to school, could support local partnerships of business, community colleges, labor unions, one-stop centers and others to provide the information and counseling needed to encourage and assist adults to enroll in courses and programs that will help them succeed in their local job market.

Could also ~~target~~ help [illegible] welfare to work [illegible] get better jobs

12. Encourage High Schools to Offer/Require Service Learning. We should consider expanding the service learning initiative (Learn and Serve) to encourage more school districts to incorporate service into their education programs. The service learning program could be expanded to provide a stronger infrastructure, e.g., service coordinators for high schools, in order to make the service experience both more rewarding and educational for students.

HEALTH

1. Long-Term Care and Medicare Reforms for Elderly, Disabled and Their Families.

- **Long-term care tax credit.** Along with the lack of coverage of prescription drugs, the poor coverage of long-term care represents a major cost burden for the elderly and their families. Long-term care costs account for nearly half of all out-of-pocket health expenditures for Medicare beneficiaries. This proposal would give people with two or more limitations in activities of daily living (ADL) or their care givers a tax credit of $500 (or more, if affordable) to help pay for formal or informal long-term care. This initiative would be coupled with other long-term care policies (e.g., offering private long-term care insurance offering to Federal employees). (Cost: About $4 billion over 5 years, offset by closing some tax loopholes, and would help about 3.4 million people).

- **Offering private long-term care insurance to Federal employees.** Since expanding Federal programs alone cannot address the next century's long-term care needs, the Federal government --as the nation's largest employer --could illustrate that a model employer should promote high-quality private long-term care insurance firms that do not offer continuation coverage or cannot afford individual insurance. The proposal would provide temporary premium assistance for up to six months for workers between jobs who previously had health insurance through their employer, are in between jobs, and may not be able to pay the full cost of coverage on their own. (Costs depend on whether it is done as a demo (about $2.5 billion over 5 years, which would help about 600,000 people) or nationwide (about $10 billion over 5 years, which would cover about 1.4 million persons)).

• **Children's health insurance outreach** (FY 1999 budget; not passed and new policy). By the first anniversary of CHIP, we expect about 45 states to have CHIP plans approved. These new expansions have great potential to help uninsured children, but not if families do not know or understand the need for insurance. Moreover, over 4 million uninsured children are eligible for Medicaid today. Last year's budget included several policies to promote outreach, including allowing states to temporarily enrolling uninsured children in Medicaid through child care referral centers, schools, etc; and allowing States to access extra Federal funds for children's outreach campaigns. An additional proposal is to pay for a nationwide toll-free number that connects families with state eligibility workers. NGA is sponsoring this line for one year only; such a line is essential for the nationwide media campaign that we are planning to launch in January with the NGA and America's Promise (Colin Powell's group). (Cost: Between $400 and $1 billion over 5 years.)

• **Parents of children on CHIP** (new policy). Since children who are uninsured usually have parents who are uninsured, an easy way to target uninsured adults is to extend eligibility for Medicaid or CHIP to parents of children covered by these programs. This has been done successfully in some states, through Medicaid 1115 waivers, and would be a logical next step to covering low-income adults. (Cost: Depends on the proposal and assumed take-up rates by the states).

• **Optional state coverage expansion through eligibility simplification** (new policy). In the wake of welfare reform, Medicaid eligibility rules have become even more complex since states must cover people who would have been eligible for AFDC under the old rules. Additionally, Medicaid law allows states to cover parents but not adults without children --even if they are very poor. This proposal would allow states to opt for a pure poverty standard for Medicaid eligibility for all people (like we do for children) rather than the old categorical eligibility categories. Not only would such an approach simplify the Medicaid program for families and states; it would provide an opportunity for significant coverage expansion. While any change in Medicaid almost always raises concerns amongst some advocates, this proposal would be strongly supported by the Governors and advocates such as the Center for Budget and Policy Priorities. (Cost: Depends on the proposal and projected coverage expansion take-up rates).

mirrors what states are moving for child Medicaid

•**Voluntary purchasing cooperatives** (FY 1997, 1998, and 1999 budgets; not passed). Workers in small firms are most likely to be uninsured; over a quarter of workers in firms with fewer than 10 employees lack health insurance —almost twice the nationwide average. This results in large part because administrative costs are higher and that small businesses pay more for the same benefits as larger firms. This proposal would provide seed money for states to establish voluntary purchasing cooperatives. These coöperatives would allow small employers to pool their purchasing power to try to negotiate better rates for their employees. (Cost: about $100 million over 5 years).

3. Increase the Indian Health Service budget. In order to reach more of the targeted population, we should provide a significant increase to the IHS budget in order to address areas such as substance abuse, elder health care, injury prevention, domestic violence and child abuse, and sanitation facilities.

HOMELESS

1. Homeless Veterans. The National Coalition of Homeless Veterans estimates that there are as many as 275,000 homeless veterans on any given night. According to the Department of Veterans Affairs, an approximately $60 million increase in funding would constitute the single largest investment into breaking the cycle of homelessness among veterans. This proposal would seek to increase residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing. The VA estimates that this proposal would positively impact approximately 100,000 to 150,000 veterans annually.

2. Allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans. OMB proposes to amend the Property Act of 1949 to create a 5-year pilot project for the VA to sell off property with 10 percent of the proceeds going to local homelessness projects under the McKinney Act (with this 10 percent being earmarked for homeless veterans) and the other 90 percent going to the VA for capital funds (buildings, equipment, infrastructure, but not staff). Currently, the way the law works is that all the proceeds from surplus property goes to homelessness, but this has not provided an incentive to the agencies to sell property because they do not get to keep any of the proceeds. OMB states that since 1989, only one piece of property has been sold under this provision. OMB will be circulating their proposal within a couple of weeks. OMB would propose to permit VA to sell 25 pieces of property, but does not have a cost estimate yet.

3. Homelessness Demonstration Project Modeled after TANF. Funds could be set aside in the FY2000 budget to create a demonstration project so that one state, region, or locality could try to move persons from homelessness to self-sufficiency. The demonstration project should set up performance goals similar to TANF so that there is a measure of how many persons have been made self-sufficient. There could be a performance bonus for the demonstration project if the goal of the project is met.

we cd also encourage ~~[illegible]~~ communities to use existing ctw $ for homeless prevention pts in competit. grants

4. Medicaid Outreach Project for Homelessness. A Medicaid outreach project could be set up, similar to the CHIP outreach project, that would reach out and cover homeless persons. We should develop a cost estimate to determine that, over time, dollars would be saved if persons are treated under Medicaid rather than on an as-needed basis in emergency rooms and clinics. This idea could be expanded to reach out to more than simply the homeless population to include all groups who are Medicaid-eligible.

CONSUMERS

1. Consumer Bill of Rights. A consumer bill of rights could address a number of areas such as enforcement, notice to consumers, and dissemination of information. We could announce this bill of rights as a package, but then pull out separate pieces for separate events like we do in the Patients' Bill of Rights area. We could include a number of different areas such as the following:

- **Auto Insurance Fraud.** Auto insurance fraud is a $13 billion-a-year problem in America. We could propose significant funding for a Justice Department anti-auto insurance fraud. Since an estimated 13 percent of auto-insurance premiums go to pay for fraud, we could claim that this effort will help drive down auto-insurance premiums.

- **Slamming/Cramming.** Cramming, in which con artists add bogus charges to consumers' telephone bills, and slamming, the unwanted switching of long-distance telephone service from one carrier to another, and are the top two respective complaints reported to the National Fraud Information Center in 1998. In 1997, the FCC received more than 20,000 complaints from customers who were slammed. So far, the FCC has fined slammers, announcing a $5.7 million fine this year, and announced voluntary guidelines for cramming that local telephone companies say they will follow. We could add money for enforcement to the FCC and/or DOJ. In May, the Senate overwhelming passed legislation that would impose new penalties on slammers and would eliminate common slamming methods, such as contest entry forms that, when signed by unsuspecting customers, authorize a switch of their long-distance carriers.

- **Telemarketing Fraud.** Telemarketing fraud is among America's worst white-collar crimes, robbing unsuspecting victims of an estimated $40 billion per year. We could increase the FBI budget to increase investigations of this type of fraud. Recently, the Washington Post reported that volunteers from the American Association of Retired Persons (AARP) work undercover for the FBI, posing as

Smoking Cessation Proposals
(DRAFT -- August 26, 1998)

Purpose:

This memo identifies various executive actions we can take in order to increase access to smoking cessation services in federal programs. We could package these actions in a series of three announcements over the next six to nine months, which are described below in more detail: (1) fall -- announce new DOD anti-tobacco plan, and new DOL and OPM tobacco-free workplace programs; (2) winter -- propose Medicaid and Veterans coverage of cessation benefits through FY2000 Budget; and (3) spring -- expand coverage of cessation benefits in FEHBP.

Background:

Each year, 20 million smokers attempt to quit, but only 1 million, or 5 percent, succeed. More than 90 percent smokers who attempt to quit do so on their own, and the vast majority fail within 2 to 3 days. However, research shows that effective cessation methods could raise success rates to 10-20 percent (over 2 million people annually).

The Agency for Health Care Policy and Research (AHCPR) endorsed 5 smoking cessation methods that have been proven to be effective in helping people to quit: gum, patch, nasal spray, inhaler, and pill (zyban).[1] AHCPR also stressed the important role of physician counseling in smoking cessation. A full course of these treatments costs around $200-300 (for a three months supply, without counseling). However, less than half of managed care organizations provide coverage of any AHCPR-approved therapies, and those that provide coverage may impose cost-sharing requirements that hinder access to treatment. In fact, a study of managed care in Washington State found that eliminating copays for smoking cessation services significantly increased participation rates.

Proposed Events:

1. Fall -- Announce new DOD anti-tobacco plan, and new DOL and OPM workplace programs.

<u>DOD</u>: While the Department of Defense has historically had very high rates of smoking, they are making progress in this area. In 1980, 50 percent of military personnel smoked; this rate declined to 31.7 percent in 1995. Moreover, 11.3% of smokers quit within the past year, and 42.7% of current smokers tried to quit. DOD tobacco-related health care costs are estimated to be approximately $1.3 billion each year. Recently, the DOD formed a Tobacco Use Reduction

[1] The gum and certain brands of the patch are available over the counter and account for 50-70% of the market share; the other methods require a prescription.

Workgroup in order to further reduce smoking in the military, in order to meet Healthy People 2000 goals for smoking, and to be smoke-free by 2010.

DOD is planning a number of tobacco-related initiatives which could be announced this fall. These initiatives include:

- incorporating anti-tobacco messages into education and training programs for military personnel and commanders;
- launching a military-wide tobacco counteradvertising campaign;
- requiring data collection and annual assessments regarding tobacco use;
- including questions about tobacco use in all medical evaluation assessments; and
- covering over-the-counter nicotine replacement therapies under military health care coverage.[2] (The estimated annual cost of this benefit is $60 million; mandating coverage is contingent on the availability of funding.)

DOL: The Department of Labor has two initiatives in place which encourage and assist businesses to establish drug-free workplace programs: (1) Small Business Initiative, an outreach and education initiative designed to alert small business to steps they can take to address employee substance abuse; and (2) Substance Abuse Information Database, available on the web, which provides information to business and employees on workplace substance abuse and prevention programs. DOL has devised a plan to expand these initiatives to include tobacco use, which we could announce this fall.

DOL estimates that it would cost approximately $63,000 to implement these changes. Because their substance abuse budget has been cut from $2 million annually to $350,000 in recent years, they would need a commitment from us in terms of resources before they could implement this proposal.

OPM: OPM has developed a model program, which we could announce, for federal agencies interested in using appropriated funds to provide smoking cessation benefits to their employees. (This effort builds on the 1997 Executive Order banning smoking in federal buildings, which encouraged agencies to use existing authority to establish programs designed to help employees stop smoking.)

2. Winter -- Propose Medicaid and Veterans coverage through FY2000 Budget.

Medicaid: A study by the Center on Addiction and Substance Abuse at Columbia University found that over 42 percent of Medicaid recipients smoke, as compared to 25 percent of the general population. The same study estimated that tobacco-related illness accounts for

[2] Currently, the military provides insurance coverage for all prescription drugs (including prescription NRT), but not over-the-counter drugs.

over $8 billion in Medicaid costs each year. Nearly 10 percent of all Medicaid hospital days are attributable to smoking.

Smoking cessation prescription and non-prescription drugs are optional state benefits under the Medicaid statute. (Other optional prescription drugs include drugs to promote hair growth, weight loss, or fertility.) While the statute does not address coverage of cessation counseling services, states have some discretion to define what services are "medically necessary" and require coverage. Currently, 23 states cover Zyban, 6 states cover non-prescription treatments, and 5 states cover cessation counseling.

We have a number of options for executive action regarding Medicaid coverage of smoking cessation benefits. First, we could propose through the budget mandating Medicaid coverage of prescription and non-prescription smoking cessation treatments. The McCain bill included such a provision, which CBO estimated would cost $120 million over 5 years (HCFA estimated $114 million). Second, we could propose through the budget an enhanced FMAP rate for smoking cessation treatments, in order to offer the states an incentive to cover these services. The Hansen-Meehan bill establishes a 90 percent match rate for state costs of smoking cessation services. HCFA estimated that the cost would be about $110 million over 5 years[3] (it assumed that 75 percent of the states would cover these benefits as the result of the enhanced match after two years). Third, we could send a letter to all State Medicaid Directors encouraging them to offer coverage of this optional benefit.

Veterans: Of the 25 million veterans in this country, approximately 8.9 million smoke (36 percent). However, only certain categories of veterans receive their health care through the VA system -- low-income veterans and those with a service-related injury -- subject to the availability of funds (the program is discretionary). As a result, less than 15 percent of veterans receive their health care through the VA system. Currently, the system spends approximately $16 million annually for AHCPR-approved smoking cessation services for veterans who meet the eligibility criteria for VA health care services. This translates to about 18,500 veterans receiving smoking-cessation services each year.

Our FY99 budget proposed a new discretionary program which would be open to all veterans who began using tobacco products while in the service, regardless of their eligibility for other VA health care services (services would be contingent only on the availability of funds). Under the proposal, the VA would contract with private sector entities to furnish AHCPR-approved services to interested veterans. OMB estimates that this proposal would cost $87 million for the first year, and $435 million over 5 years. This assumes that 10 percent of all smokers would participate in the program. While both appropriators and authorizers ignored the proposal this year, we could propose it again as part of next year's budget.

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[3] This provision would result in a cost to the Federal Medicaid program from two sources: (1) the higher matching rate (90% vs. 57%) for states currently offering cessation services; and (2) the enhanced matching rate for states that currently do not offer cessation benefits, but do so as a result of the 90% incentive match rate.

3. Spring -- Expand coverage of cessation benefits in FEHBP.

FEHBP: FEHB plans vary in their coverage of smoking cessation benefits. Fee for service plans, which cover 70 percent of beneficiaries, are required to provide $100 in smoking cessation benefits. Generally, this coverage does not kick in until after the calendar-year deductible has been met, and most plans restrict benefits to once per lifetime. Many plans only cover prescription drugs. HMO coverage of smoking cessation benefits varies greatly.

Each spring, OPM sends a call letter to contracting plans, establishing the terms for the following year of coverage. Next spring, we could require enhanced coverage of smoking cessation services for plan-year 2000. One option is to raise coverage limits to more accurately reflect the cost of AHCPR-approved treatments, and to raise the number of treatments allowed per lifetime to account for the fact that the average smoker requires three to five cessation attempts before they successfully quit (i.e., require coverage of $300-400 per treatment, with three maximum treatments covered per lifetime). Another option is to waive the deductible and copayment requirement for cessation benefits.

FEHB is the world's largest employer-sponsored health insurance program, with over 9 million beneficiaries. Private insurers generally look to FEHB as a benchmark on which they base their benefits. Improved coverage of smoking cessation benefits in the FEHB thus has the potential to establish an industry-wide standard of coverage, whose impact will be felt far beyond the program itself.

Francis S. Redburn 08/14/98 10:07:33 AM

Record Type: Record

To: Jonathan Orszag/OPD/EOP

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Subject: Re: Section 8 Idea

It's such a good idea that there is already something similar in law, albeit under the rubric of the "family self-sufficiency" program that would be phased out if the pending public housing reform bill passes. FSS predates and anticipates the renewed emphasis on using family housing assistance to support moving to work.

The FSS provision permits "use of escrow savings accounts for Section 8 homeownership" (authorized under a different provision, Section 8(y)) and says a family in FSS who "uses assistance under section 8(y) to purchase a dwelling may use up to 50 percent of the amount in its escrow account for a downpayment on a dwelling . . . " The escrowed amounts are the difference between the rent paid, which is frozen at 30 percent of the income at entry, and 30 percent of income today, so that what would ordinarily be an increase in rent is escrowed.
The overall structure of the 8(y) authority is rigid and rather complicated, so that it hasn't been used very much.

If and when we get authority for WTW housing vouchers, it should be possible to replicate this, along the lines you outline, for WTW participants only. This would limit the budget impact of not collecting rent at 30 percent of income, and also provide incentives for communities to design the subsidies so that they recoup the cost in other ways in order to aid the maximum number of families. The advantage of the broad waiver authority in the new language is that communities could design their own terms with HUD's approval or, if HUD wishes, it could prescribe a streamlined model for communities to follow. The issue here, and in general, is how prescriptive HUD should be initially, especially when there is so much to learn about the best use of housing assistance to support welfare reform. There is also a question about the strength of the work incentive provided, relative to all other determinants of the family's work effort.

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