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001. memo	Andrea Kane to Cynthia Rice re: SOU Box Update (1 page)	01/04/00	P5

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FOLDER TITLE:

Budget-2001-FY-New Ideas-Memo II [1]

rx7

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6)-of the PRA]

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- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Welfare to Work Budget Ideas

12/10/99 DRAFT

1. **Responsible Fatherhood Initiative (Cost: \$100 million in discretionary costs in FY 2001 plus mandatory costs of \$1.2 billion over 5 years and \$2.6 billion over 10 years):**

Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. We could a) announce new data showing the dramatic increases in child support collections made by this Administration and at the same time put forward a package of proposals to b) ensure every unemployed parent who owes child support goes to work and supports his children; c) collect more child support from parents who can afford to pay; d) revise outdated rules to ensure mothers and children receive more of the support the father pays; and e) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. Below are more details on each piece.

- a) **New Data Showing Administration's Child Support Crackdown is Working:** We will have new data, available by the end of December, which show i) child support collections have nearly doubled under this Administration (from \$8 billion in 1992 to and estimated \$15.5 billion in 1999); ii) of that \$15.5 billion a record \$1.3 billion came from seizing tax returns (up 18 percent over last year); iii) the new child support computer system proposed by the Administration in 1994 and enacted in 1996 located nearly 3 million delinquent parents and over 650,000 of their bank accounts last year; and iv) a child support law enforcement initiative launched by the Administration last year has investigated nearly 1,000 cases of the worst offenders, making nearly 300 arrests and obtaining \$5.3 million in restitution orders.

Note: we've asked OMB to provide an additional \$5 million for the Department of Justice for FY 2001 for the law enforcement initiative (to fund legal staff at US Attorney's offices to prosecute the worst offenders under the federal Deadbeat Parents Punishment Act). The rest of the initiative is funded under current DOJ and HHS spending.

- b) **Collect More Child Support from Fathers Who Can Pay (Cost unknown, likely to be small, may have discretionary costs and mandatory savings):** We are exploring the feasibility of several new initiatives to further crackdown on parents who owe child support and can afford to pay, including: i) having the IRS send warning notices to parents who owe child support, telling them their tax refunds will be withheld if they do not begin paying immediately, in an effort to get delinquent parents to pay sooner and more regularly; ii) increasing federal involvement in garnishing wages in interstate child support cases by having the HHS send income withholding orders directly to identified employers when a delinquent parent is located on the job, instead of simply notifying the state as under current practice; iii) expanding the scope of the federal offset program run by the Treasury Department to seize more federal payments made to delinquent parents.

c) **Put Fathers Who Owe Child Support to Work (Cost: \$600 million over 5 years or \$2 billion over 10 years):** To help low income fathers to work, pay child support, and reconnect with their children, we could expand our responsible fatherhood initiatives through the Department of Labor's Welfare to Work program by providing new competitive grants to states, localities, non-profit and faith-based groups. Currently, we estimate there are about one million "deadbroke dads" who need a job in order to pay child support. Funding of approximately \$2 billion over 10 years (\$2,000 per person) could put all these fathers to work and ensure they fulfill personal responsibility contracts and support their children. We could propose to give competitive grants only to states or localities that implement a requirement that all noncustodial parents pay child support or go to work. This father's proposal is one of a three part welfare to work proposal (see below).

d) **Streamline Child Support Distribution Rules So Mothers Get More Reliable Child Support Income (Cost: \$600 million over 5 years):** The current child support distribution rules are complex and often counterproductive. When a father pays support in a given month, whether or how much of that support goes to his children depends on a complex set of rules involving whether the child is or ever was on welfare, and whether the father owes past due support that accumulated before the mother and child were on welfare, while they were on welfare, or after they left welfare. As a result, there is often little connection between what a father pays and what his family gets, parents have less incentive to cooperate with the child support system, families can't count on stable child support income, and state child support staff spend time figuring out how to distribute payments every month among 14 categories – time they should use to collect more support.

HHS has proposed a two part proposal which we would like to amend only slightly, which simplifies the child distribution rules at a cost of \$500 million over 5 years, and also provides federal match to states that pass through child support to families on welfare, at a cost of \$100 million over 5 years, and OMB has devised enough acceptable pay-fors to fund this within the child support system. These proposals have strong support on the Hill and are likely to become part of any fathers bill which passes during the next session.

e) **Ensure Fathers Returning from Prison Become Responsible: (Cost: \$50 million for DOL and \$50 million for DOJ in FY 2001):** Through a new re-entry partnership proposal at the Department of Justice and a new ex-offender employment program at DOL, we could help men in prison become better fathers and prepare them for employment upon their release. OMB in its passback funded the DOL employment effort at \$30 million in FY 2001; we'd like to increase it to \$50 million and target at least \$20 million to communities participating in DOJ's re-entry partnerships.

2. **Welfare to Work Grants (Cost: \$1 billion over 5 years and \$2.4 billion over 10 years (\$200 of which would be FY 2001 discretionary, the rest mandatory):** These grants could fund projects in three key areas important to sustaining the success of welfare reform: a) to help every low income father work, pay child support, and reconnect with his children; b) to help the hardest to employ move from welfare to work and succeed in the work force; and c) to increase job retention, skills upgrading and supports (including outreach on food stamps, Medicaid, child care, and EITC) for low-income working families, including those who have left welfare, through local one-stop employment centers.
 - a) **Put Fathers Who Owe Child Support to Work (Cost: \$600 million over 5 years or \$2 billion over 10 years):** See description above under the responsible fatherhood initiative.
 - b) **Move the Hardest to Employ from Welfare to Work and Help them Succeed in the Workforce (Cost about \$200 million over 5 years):** This would include i) \$150 million in competitive grants targeted to communities that need the most help; ii) doubling Welfare-to-Work formula grants for tribes at a cost of \$30 million; iii) \$5 million for technical assistance and sharing best practices among current and new grantees to ensure the most effective use of these funds; and iv) an extension of the spending deadline for current grantees (still being scored by OMB). These proposals would honor the original intent of the Welfare-to-Work program, by focusing on the hardest to employ individuals and communities with the greatest needs.
 - c) **Job Retention and Skills Upgrading for Low Income Workers (Cost: \$200 million in discretionary funds in FY 2001):** These funds would increase job retention, skills upgrading and supports (including outreach on food stamps, Medicaid, child care, and EITC) for low-income working families, including those who have left welfare and people with disabilities, through local one-stop centers. Funds should be targeted on a competitive basis to those areas that demonstrate a strong partnership with other entities providing both employment and work supports and who leverage TANF and other resources to support these efforts. DOL has dubbed this the "LIFT" program (Low Income Family Training program).
3. **Ensure All Working Families in Our Poorest Communities have Access to Decent, Affordable Housing (Cost: \$3 to \$6 billion over 5 years):** This proposal would provide housing vouchers to working families with children who need housing the most. This group of families could be defined in several ways: currently between 500,000 and 1 million working poor families get no housing assistance and pay more than 50 percent of their income in rent and/or live in substandard housing, and about 600,000 families with poor children live in public housing. Adding 100,000 vouchers a year for five years (reaching 500,000 in the fifth year) would cost about \$3 billion dollars, and reaching a million families within five years would cost twice as much. This ignores the cost of renewing vouchers in the years after they are put in place, which OMB does not normally include in cost estimates but which would present large on-going obligations (reaching \$20 billion or more if a million families are served). We'll follow up with OMB on this issue. Currently, OMB's passback to HUD includes 100,000 vouchers for FY 2001 (of which 32,000 would be earmarked for people moving from welfare to work and 18,000 for the homeless).

4. Employment for People with Disabilities (Cost: \$113 million in discretionary funds in FY 2001, and \$700 million in mandatory funds over 5 years): By enabling people with disabilities to work and keep their health care, the Ticket to Work and Work Incentives Improvement Act of 1999 will give individuals with disabilities a greater opportunity to participate in our nation's workforce. To build on this progress, we should include in the FY 2001 budget proposals to assist people with disabilities in transitioning into the workplace by:

*\$16 million
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office*

- a) establishing within the Department of Labor a new Office of Disability Policy which would conduct outreach to private sector employers, including managing a multi-media campaign to encourage employers to hire more people with disabilities, and would provide technical assistance to other Department of Labor employment programs to ensure they are adequately serving people with disabilities, at a cost of a minimum of \$15 million in FY 2001 (note DOL asked for \$130 million, OMB is disinclined to fund, but matter is pending. Tony Coelho is lobbying for this);
- b) providing \$50 million in competitive grants to communities to improve the local One-Stop employment and training offices to better serve people with disabilities (OMB provided \$20 million in passback);
- c) providing about \$5 million in funds to the DOL's Employment and Training Administration and Office of Civil Rights to provide additional technical assistance to help them serve people with disabilities and enforce the access laws for people with disabilities (new proposal, not included in passback);
- d) providing \$5 million to the Department of Justice for outreach, training, and enforcement related to the Americans with Disabilities Act (new proposal, not included in passback);
- e) funding for the Presidential Task Force on Employment of Persons with Disabilities at its current level of about \$2.5 million (included in passback);
- f) re-proposing the \$1,000 tax credits for workers with disabilities from the FY 2000 budget (scored last year as costing \$700 million over 5 years) (tax proposal, no passback yet);
- g) re-proposing \$35 million in FY 2001 for improving access to assistive technology (passback unknown).

People with disabilities would also be assisted by the \$200 million proposal (see above under Welfare-to-Work) to improve the ability of One-Stops to help low income people, including people with disabilities, retain jobs, increase job skills, and obtain needed supports.

5. **Food Stamps (Cost: discretionary of \$80 million in FY 2001; mandatory of \$760 million - \$2.7 billion over 5 years (\$700 million - \$1.7 billion without legal immigrants who are counted below)):** There are several proposals we could make to help ensure access to food stamps for working families. Unlike the executive actions we took last July, these require legislative changes.

a) **Food Stamp Vehicle Limit (Cost: \$700 million - \$1.7 billion over 5 years):** Currently families with incomes under 130 percent of poverty who own a car worth more than \$4,650 are not eligible for food stamps. In recognition of the importance of a reliable car for families moving from welfare to work, most states have increased their vehicle asset limits for TANF. This proposal would give states the option to conform this food stamp vehicle limit to the vehicle limit used in their TANF or Medicaid program, ensuring families that work their way off welfare do not suddenly face the loss of their food stamps if they buy a reliable car. This builds on the executive action we took this summer, which clarified that states could use the higher TANF limit for families receiving TANF funded services, even if they did not receive TANF-funded cash assistance. This will cost \$1.7 billion over 5 years, however, OMB is considering an idea for a regulation that could reduce the cost of changing the vehicle limit by \$700 million over five years.

This proposal to modify the vehicle limit is included in a broader bipartisan anti-hunger legislation, introduced by Senators Specter and Kennedy and Representatives Walsh and Kaptur which is strongly supported by advocacy groups and also includes legal immigrant food stamp benefits (see below), an increase in the shelter deduction (\$495 million over 5 years) and increased funding for TEFAP – emergency food used in pantries and soup-kitchens (\$20 million appropriation per year). This vehicle limit proposal was also part of the Vice-President's plan, along with restorations of food stamp benefits for legal immigrants, food stamp outreach efforts, moderately increased funding for TEFAP, and support for the school breakfast program.

b) **Food Stamp Outreach (Cost: \$15 million in FY 2001):** We should propose \$15 million for FY 2001 for on-going food stamp outreach efforts, including campaign materials and an enhanced 1-800 number (USDA did not request; OMB has proposed \$7 million in passback).

c) **Improving Nutrition Among the Elderly (Cost: \$65 million over 5 years):** Less than 30 percent of the elderly who are eligible for food stamps actually participate. For many, the application process is too complicated while others are too embarrassed to seek out and use food stamps. To overcome these barriers, USDA proposes to spend \$65 million over five years to conduct a pilot program which will test an array of alternative application and benefit structures over three years. These alternatives would test a commodity alternative for the elderly, a streamlined food stamp application process, and provide assistance in completing applications.

d) **Food Stamps for Legal Immigrants (Cost \$60 - \$975 million over 5 years):** see section on Legal Immigrants below.

6. **Legal Immigrant Benefits (Cost: \$2 to \$6 billion):** At a minimum we should repeat the proposals we made last year, and there are compelling reasons to go further in several areas.

a) **Health Care (Cost: \$325 million to \$2.3 billion over 5 years):** Our FY2000 proposal would have provided a state option to cover children and pregnant women under CHIP and Medicaid, regardless of when they entered the U.S. (Under current law, states have this option only for immigrants who arrived in the U.S. before 8/22/96.) This proposal has bipartisan support and was introduced by Senators Chafee, Mack, McCain, Jeffords, Moynihan, and Graham and costs \$325 million over five years.

The immigrant groups support expanding our proposal by adding one introduced this year by Senator Moynihan and Rep. Levin that would expand this Medicaid state option to also cover disabled immigrants irregardless of when they enter the U.S. This proposal would cost about \$2 billion over 5 years. The groups identified this as their highest priority to add to our proposals from last year.

b) **Domestic Violence Victims (Cost: to be determined; likely small):** The immigrant groups say their second priority above our proposals from last year is to allow legal immigrants who are qualified under the Violence Against Women Act due to domestic violence to be eligible for all federal public benefits, including SSI, food stamps, TANF, Medicaid, and CHIP, regardless of the date of entry. Cost is likely to be small, but is yet undetermined.

c) **Refugees (Cost: to be determined; likely small):** The groups' third highest priority is to eliminate the 7 year limitation on the exemption from all benefits for refugees and asylees. They argue many elderly or disabled refugees have a very hard time learning English or otherwise qualifying for naturalization and will lose benefits without this extension. The Balanced Budget Act extended these benefits from 5 to 7 years.

d) **Food Stamps (Cost: \$60 - \$975 million over 5 years):** Last year, our budget contained a modest food stamp proposal making legal immigrants in the United States on August 22, 1996 who subsequently become elderly eligible for food stamps, at cost of \$60 million over 5 years. (The 1997 Agricultural Research Act covered those already elderly as of 8/96.)

There is growing support for a much broader restoration, which would make all legal immigrants eligible for food stamps (this principally adds adults who entered the U.S. before 8/96 and all immigrants who entered the U.S. after 8/96 to the restorations made by the Agricultural Research Act.) This proposal would cost \$975 million over five years. This broader restoration was included in bipartisan anti-hunger legislation introduced by Senators Specter and Kennedy and Representatives Walsh and Kaptur which is strongly supported by advocacy groups and also includes expanding the food stamp vehicle limit (see above); an increase in the shelter deduction (\$495 million over 5 years) and increased funding for TEFAP – emergency food (\$20 million appropriation per year).

It is also possible to devise a proposal to restore food stamps to specific subsets of the legal immigrant population (e.g., all those eligible under our SSI proposal – see below; all immigrants who entered the U.S. before 8/96; all household with children and/or elderly, irregardless of date of entry).

- e) **SSI Disability Payments (Cost: \$1.5 - \$2 billion):** SSI payments for the poor disabled also confer Medicaid eligibility. The Balanced Budget Act of 1997 restored disability and health benefits to 380,000 legal immigrants who were in U.S. before 8/96 and become disabled after entry. Our FY 2000 budget would have restored eligibility for SSI and Medicaid to legal immigrants who enter the country after that date if they have been in the United States for five years and become disabled after entering the United States, at a cost of about \$1 billion over 5 years. This proposal is being rescored but will be much more expensive this year, since with the passage of time more immigrants would qualify (thus \$1.5 - \$2 billion cost is ballpark).

Neither the Balanced Budget Act nor our FY 2000 proposal restored SSI to the poor elderly who are not disabled (who would be covered under SSI if they were citizens and many of whom eventually will qualify as disabled as they become frail). This provision is included in the Moynihan/Levin bill, but this expansion of our proposal has not been identified as high a priority as others listed above by the key groups we have consulted. We do not have a score of the cost of this addition.

- 7. **Promoting Faith and Community (Cost: \$50 million in FY 2001 discretionary; \$2.5 - \$6.5 billion mandatory (not counting possible social venture capital proposal)):** There are a variety of proposals we could make to promote faith and community including ones to increase charitable giving to community-based organizations, improve the performance of nonprofit community based groups, and increase the involvement of faith-based institutions in providing social services, including:

- a) **Deductibility of Charitable Contributions for Nonitemizers (Cost \$2 - \$6 billion):** One broad change that could effect both the level and composition of individual gifts would be to allow non-itemizers to claim a deduction (or tax credit) for charitable contributions above a certain floor. In addition to affecting the total amount of charitable contributions, allowing non-itemizers to take such a deduction could also affect the proportion of gifts going to different types of recipients since non-itemizers gifts disproportionately benefit religious organizations and social service groups as opposed to educational institutions and private foundations. There are a number of ways this proposal could be structured, which could cost from \$2 to \$6 billion a year.
- b) **Allowing Charitable Giving Until April 15 (Cost: Minimal or None):** If the charitable deduction is meant to provide some incentive for charitable giving, there should be consideration of the entire design of the program in order to achieve this purpose in the most effective manner. The cost of this proposal is negligible.
- c) **Excise Tax on Investment Income of Private Foundations (Cost: to be determined, probably about \$500 million):** Private foundations pay an excise tax on their net

investment income, which includes interest, dividends, and net capital gains and is reduced by expenses incurred to earn this income, with a complicated formula requiring some to pay 1 percent tax and others to pay a 2 percent tax. While the intent of the distinction between a 1 and 2 percent rate of tax on investment income was to prevent foundation disbursements from falling, the mechanism is unduly complicated and may even reduce foundation giving. This excise tax should be eliminated or modified. In 1997, foundations paid \$486 million in federal excise taxes.

d) Improving Disclosure by Charitable Organizations (Cost: Minimal or None):

Because of the public nature of charities, their tax returns are open to the public and by far the most important source of public information about charitable organizations are the IRS Forms 990 annual information returns. Over the years, the amount of information to be included on these returns by charitable organizations has increased, as have the penalties for failure to file and accurately completing these returns. Despite the evolution, the Forms 990 are frequently criticized both by charities who have difficulty completing them and by the public that has difficulty reading them. Requiring electronic filing of Forms 990 would make it easier for the public to access this information and reduce fraud.

e) Nonprofits Capacity Building Program (NCBP) (Cost: \$50 million in FY 2001): In order to create a stronger and more effective nonprofit sector, capacity and technical assistance could be provided to train and manage assistance for nonprofit and community-based organizations through development centers nationwide.

The Nonprofit Capacity Building Program (NCBP) would provide training and management assistance to nonprofits. The four objectives of the NCBP would be: 1) to strengthen the capacity and effectiveness of the nonprofit community; 2) to increase community development; 3) to assist a wide range of nonprofit organizations regardless of their size and development; and 4) to broaden the technical and management assistance delivery system to more nonprofit organizations.

The structure of the program could be through grants made by a Federal agency (i.e., HUD) to Statewide nonprofit associations or technical assistance providers (501(c)(3)) who would then provide services to other nonprofit and community-based organizations. This approach could be funded at \$50 million per year.

The NCBPs will provide counseling, training and technical assistance in all aspects of nonprofit management. These services may include: assisting nonprofits with start-up, budgeting and financial management, marketing, fundraising, board development, technology assistance, volunteer management, human resources, strategic planning, personnel management and program evaluation. They could also assist in creating and maintaining a centralized access point of information and databases about nonprofit organizations.

f) Social Venture Capital Formation (Cost: to be determined): We are exploring the idea of assisting the type of giving that closely mimics "venture capital" giving by

allowing a tax credit (greater than the current deduction for charitable gifts) to corporations and individuals who contribute to "neighborhood organizations" engaged in educational, social and economic services to aid impoverished people. To be eligible for the credit, obligors would have to make a contribution over a certain floor and apply with an IRS tax exempt non-profit in submitting a joint proposal. The initiative encourages businesses to form more committed partnerships with grantees in order to achieve the long-term goals of the nonprofit organization.

- g) **Faith Based Involvement in Substance Abuse Treatment, Juvenile Justice, and After-School Programs (Cost: None):** Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations. The substance abuse treatment idea is included in the Frist-sponsored Senate SAMSHA reauthorization bill and in a House bill, by Representatives Watts and Talent (which also restructures SAMSHA into a voucher program). The Juvenile Justice bill in conference included provisions allowing faith-based groups to provide certain services. Faith-based groups are not currently eligible for direct funding through the 21st Century Community Learning Centers program, but we could allow a certain percentage of funds (10 to 25 percent) to be used by community based organizations, including faith-based groups.

This proposal will be controversial among House Democrats. In November, 176 House Democrats voted for an Edwards amendment limiting the scope of the charitable choice provisions in the Fathers Count bill to organizations that are not pervasively sectarian (34 Democrats voted against the amendment). Voting with Edwards were a number of conservative Democrats (Tanner, Spratt). Also most Democratic members of the House Commerce committee, which has jurisdiction over SAMSHA, voted for the Edwards amendment, including Dingell and Waxman.

8. **Transportation, with emphasis on Cars to Work theme:** There are several ways we could help low income families get the transportation they need to get to work.
- a) **Access to Jobs Transportation:** The budget already contains funding at the full authorized level of \$150 million.
- b) **Family Loan Program (\$10 million in FY 2001):** We could provide one-time seed funding through DOL totaling \$10 million to one or more national organizations to provide loans to low-income families, which under current models families use primarily to repair or purchase cars, based on the Ways to Work program which has already provided \$13 million in microloans to over 12,000 families in about 30 sites, many of which go to purchase cars *New \$1 mi DOT \$1 mi DOL*
- b) **Food Stamp Vehicle Limit:** See above.
- c) **IDAs -- Expand to Include Cars:** See below.

9. **Individual Development Accounts (Cost \$25 million in FY 2001):** The OMB passback includes \$25 million for the Assets for Independence IDA demonstration program, which is the full authorized level and more than double the \$10 million appropriated for the last two years. We also recommend a legislative change to allow low income families to use IDAs to save for a car that will allow them to get a job, keep a job, or take advantage of job opportunities they couldn't otherwise access. Currently IDAs can be used to purchase a home, pay for higher education, or start a small business.
10. **Homeownership (:** We are working with NEC and Treasury to explore a number of options to promote home-ownership among low-income families and will get Treasury's proposal today.
11. **Increasing Targeted Substance Abuse Treatment (Cost: \$139 million in FY 2001).** We could build on our FY 2000 budget success by requesting an additional increase of \$10 million above OMB passback for SAMHSA's Targeted Capacity Expansion Grant program, targeted to communities who participate in DOJ's re-entry partnerships and DOL's ex-offender employment initiative. These funds are provided on a competitive basis to communities to meet emerging substance abuse problems and unmet treatment needs. In past years, a significant number of grants have focused on women moving from welfare to work, Native Americans, youth offenders, and HIV/AIDS. These grants are a high priority for Mayors and for the Congressional Black Caucus. In FY 2000 we succeeded in getting \$114 million, slightly above our request of \$110 million and more than double FY 99 levels. For FY 2001, HHS proposed a \$73 million increase, but OMB pass-back only provides \$15 million. An additional \$10 million would bring total increase to \$25 million, for a total funding level of \$139 million. See above for discussion of involvement of faith-based groups in substance abuse treatment.

DRAFT

December 12, 1999

W/ my edits

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

CC: JOHN PODESTA

SUBJECT: THEMES AND PROPOSALS FOR THE STATE OF THE UNION

This memo outlines three things: first, the overarching theme we propose for the State of the Union; second, the "big ideas" initiative that should be the centerpiece of the speech and the budget; third, the eight signature policies that comprise the "big ideas" package.

I. THEME: RESPONSIBILITY FOR THE FUTURE

The theme we recommend for the State of the Union is "Responsibility for the Future." This theme brings together all the major elements of your agenda: strengthening Medicare and Social Security, and reducing the debt; investing in and reforming public education; bridging the digital divide; investing in scientific research; protecting the environment; promoting peace around the world; and closing the opportunity gap.

"Responsibility for the Future" reinforces both liberal convictions about equity (leave no one behind) and Third Way sensibilities about accountability (let no one fail to do his part). It is consistent with your longstanding theme of "responsibility, opportunity, and community," and sets forth a powerful message that will resound long after we're gone. The country has come a long way these seven years, enabling us to turn even more to challenges of the next generation.

II. BIG IDEA: CLOSING THE OPPORTUNITY GAP

We believe your "big idea" for the budget and the State of the Union should be a "Closing the Opportunity Gap" initiative. It is a package of eight signature proposals described in the next section, and would highlight three or four major budget pieces. We had considered other labels for this initiative ("Leaving No One Behind," "Every Child's Initiative," and "Education First") but advocate "Closing the Opportunity Gap" because it shows continuity with your core philosophy and values, suggests a sweeping challenge worthy of a sweeping response, and provides a framework that will energize the entire economic and domestic team, from Summers and Herman to Shalala, Riley, and Cuomo.

III. EIGHT SIGNATURE ELEMENTS OF "CLOSING THE OPPORTUNITY GAP"

Your final State of the Union should be more than a laundry list of worthy ideas (although we provide, for reference, such a list in three longer memos which are attached). Here, we outline a package of signature "Opportunity Gap" proposals. These proposals represent the core of your domestic vision; they are ambitious ideas that will stick in the public mind. They are bold enough to show that your imperative is action, and appealing enough to stand a chance of enactment this year. Together, they give purpose and principle to your final year's agenda.

The "Opportunity Gap" initiative consists of eight proposals: 1) universal pre-school to give all poor children a smart start; 2) universal after-school to help kids meet high standards; 3) a plan to turn around every failing school over the next decade; 4) measures to bridge the digital divide; 5) a set of new steps to help low-income students get into college and complete a degree; 6) proposals to encourage absent fathers to take responsibility for the support and love they owe their children; 7) a new bargain of tax cuts and other measures to reward work and family; and 8) a major expansion of New Markets to help all communities share in economic prosperity.

1. Early Childhood/Universal Pre-School. With a significant down payment in the FY2001 budget, you can lay the groundwork for achieving a goal that you, the Vice President, and the First Lady have talked about for some time: *universal access to pre-school for every 4-year-old in America*. There are a number of ways to do this:

- *Dramatic increase in Head Start funding.* Could expand by \$1 billion over FY '00, to expand Head Start from 880,000 children to nearly 1,000,000 in FY '01. A path for future fund increases to make Head Start universal could also be established.
- *Early Childhood Learning Fund.* A dramatic increase in the Early Childhood Learning Fund combined with a path for future increases. Could expand to \$1 billion for FY 01 – a \$400 million increase – and aim for \$10-\$20 billion over 10 years.

2. Universal After-School. By doubling after-school funding in the FY 2001 budget (from \$453 million in FY 2000 to at least \$1 billion in FY 2001), you can meet an urgent goal, which is to *provide after-school and summer school to every student in a failing school*. You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: \$20-30 billion over 10 years).

3. Turning Around Every Failing School. To close the opportunity gap, we must close the achievement gap by focusing our efforts on the worst-performing schools. With a series of accountability and performance initiatives in the FY 2001 budget (and the after-school pledge outlined above), you can credibly set forth an ambitious, defining goal for strengthening public education: *turning around or shutting down every failing school in America over the next decade*. In addition to doubling after-school funding, the key steps include: expanding your

accountability fund; reaching your goal of 3,000 charter schools before you leave office; funding a new performance bonus to reward states and school districts for increasing their percentage of qualified teachers, adopting statewide accountability systems and school report card; and requiring universal public school choice for students in failing schools. We could also reintroduce a version of education opportunity zones. (Cost: \$3-5 billion over 10 years).

4. Closing the Digital Divide. If we are to close the opportunity gap in the next century, we must do all we can to *address the emerging digital divide*. Key elements could include:

- *Community Technology Centers.* A more than four-fold increase in funding – from \$32.5 million in FY 2000 to \$132.5 million in FY 2001 – as part of a major challenge to have Internet centers in all poor communities. We could challenge the private sector to contribute hardware, software and man-hours – and possibly give them tax incentives to donate used equipment.
- *Develop Universal Internet Access.* Reserve a \$100 million fund for public-private partnerships to bring affordable Internet access to poor families.
- *Teacher Training for the Internet.* We could dedicate \$100 million – perhaps from the existing technology literacy challenge initiative – to ensure all new teachers, or all middle-school teachers, receive training in how to use computers as a learning device.
- *School Internet Modernization Fund.* A discretionary counterpart to our school construction proposal to modernize schools for new teachers and Internet access.

5. Closing the Opportunity Gap for College. This element would focus on different aspects of closing the opportunity gap for college: helping more students aspire to and prepare for college, continuing to make college more affordable, and starting to address America's quiet crisis of declining college completion rates.

- *Keeping Students on Track to College.* We could increase access for impoverished young people through Youth Opportunity Grants, TRIO, GEAR UP, and Youth Build, increasing funding to a total of \$500 million.
- *AP Courses Online.* Small and poor schools often lack the resources and teachers to offer challenging courses. This distance learning initiative aims to ensure that students in underserved areas get access to Advanced Placement and other high-quality academic courses and ESL programs online. Total funding for the initiative would be \$225 million, including \$50 million for grants, \$25 million for course development, and \$125 million in increases in existing programs.
- *Test Prep for Poor Kids.* This program would support partnerships among high schools, proven providers of college test prep courses (like Kaplan, Princeton Review), and community-based organizations to offer high-need students SAT/ACT preparation and other services related to college admissions. Grants of \$30 million would serve approximately 50,000 students.

From Themes + Proposals for SOU memo

- **Refundable Hope Scholarship and Pell Grant Increase.** Expanding the maximum Pell Grant from \$3,300 to \$3,500 would cost \$766 million in FY 2001. A complementary proposal would be to make the Hope Scholarship refundable.
- **Challenging Students to Complete College.** The above initiatives could also be organized to promote not just going to college, but also completing college. In addition, a new initiative of College Completion Challenge Grants would provide grants to deal with college completion with a comprehensive program including, pre-freshman summer programs, support services and increased grant aid to students.

6. Demanding Responsible Fatherhood. If we are going to close the opportunity gap, we must close the responsibility gap. Demanding and promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. Mothers should not bear the whole burden of welfare reform; *now we must make sure that every unemployed father who owes child support goes to work and provides that support.* To achieve this goal, we can: 1) focus ^{new funds} the Welfare-to-Work program on putting low-income fathers to work, and propose that states use their welfare ~~surpluses~~ ^{to require} deadbeat fathers to work and pay the child support they owe; 2) propose new measures to collect more child support from parents who can afford to pay; 3) restore the child-support pass-through and revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: \$100 million in discretionary costs in FY 2001 plus mandatory costs of \$1.2 billion over 5 years and \$2.6 billion over 10 years). *At the same time, we should continue to invest welfare-to-work funds in helping long-term welfare recipients go to work and succeed on the job.*

7. Rewarding Work and Family. You could propose a new social contract for the working poor. This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

- **Expanding Housing Vouchers.** Expand to 100,000 housing vouchers in FY 2001, with a goal of 500,000 vouchers by the fifth year. With such a plan, you could realistically propose that within a decade, no poor family will be trapped in the projects. (Cost: \$3-6 billion over five years, ~~\$10-15 billion over ten~~ ^{or ten (depending on whether we try to reach 1 million families within 5 or 10 years)}.)
- **Expanding Health Coverage.**
 - **Extend CHIP to Parents.** Would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Costs range from \$5 to \$18 billion over 5 years.
 - **Outreach to Enroll Uninsured Children in Medicaid.** This could be done through school-based outreach at a cost of about \$3 billion over 10 years. Another idea would be to simplify and unify the eligibility rules for Medicaid and CHIP, at a cost that is likely to be less than \$500 million over 5 years.

- *Help Working Families who Need Them Get Food Stamps*. Allow long-income working families to get food stamps and have a reliable car, and fund outreach efforts. (\$700-\$1.7 billion over 5 years, with \$15 million in FY 2001 discretionary)
- *Restore Option to Cover Legal Immigrants*. This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. (The cost is about \$7 billion over 10 years.)
- *Progressive Savings Accounts*. \$2 to \$6
- *Rewarding Work and Family Through the EITC and Child Care*.
 - *Making the EITC Even More Pro-Work*. The EITC could be expanded by (1) increasing the phaseout so that more families get the maximum amount; (2) lowering the phaseout rate so that marginal tax rates are reduced; and (3) easing the marriage penalty by making these phaseouts more favorable for married couples. The third component would cost \$11 billion over 10 years.
 - *EITC Increase for Three Children*. Alternately, the EITC could be expanded by raising the maximum EITC with families with three or more children (which would benefit all families with three children), at \$8 billion/10 years.
 - *Child Care Block Grant in Discretionary Budget*. We stand a better chance of increasing child care subsidies poor if we move it to the discretionary side.
 - *Making the Dependent Care Tax Credit Refundable*. Our child care tax package provides significant relief for families earning \$30-60,000. But working poor families who need help the most earn too little (under \$18,000) to be eligible. Making the DCTC refundable costs \$4 billion over 5 years.

8. New Markets Initiative and Empowerment Zones. Help include communities that have not fully shared in our prosperity by expanding the New Markets initiative and including empowerment zones within the initiative.

- *Expanded New Markets Tax Credit*. Double the new markets tax credit, costing \$4 billion over 10 years.
- *Expanded Empowerment Zones Credit*. The goal would be to increase existing incentives, include empowerment zones in the new markets framework, and compromise with Talent-Watts' American Community Renewal Act.
- *Expanded Low-Income Housing Tax Credit*. The FY 2000 budget proposed expanding the Low-Income Housing Tax Credit (LIHTC) from \$1.25 per capita to \$1.75 per capita at a cost of \$1.6 billion over 5 years. In light of housing shortages in many parts of the country, we may want to expand this credit even further.
- *Making Homeownership More Affordable*. A new homeownership tax credit could help boost homeownership rates for lower income families by subsidizing the interest rate for income-qualified, first-time homebuyers at 15 to 30 percent below conventional rates. The cost of this proposal could be scaled to the desired level.
- *Expanding Faith-Based Involvement*. Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations.

PRELIMINARY COST OF THE "CLOSING THE OPPORTUNITY GAP INITIATIVE"

(billions of dollars above passback)

	<u>FY 2001</u>	<u>2001-10</u>
Early Childhood / Universal Pre-School	0.8	30-40
Increase in Head Start	0.4	
Early Childhood Learning Fund	0.4	
Universal After-School for Poor Children	0.55	20-30
Turning Around Failing Schools	0.3	3-5
Closing the Digital Divide	0.77	10
Community Technology Centers	0.07	
Universal Internet Access	0.1	
Teacher Training for the Internet	0.1	
School Internet Modernization Fund	0.5	
Closing the Opportunity Gap for College	0.42	10
Keeping Students on Track to College	0.25	
Stanley Kaplan and AP Online for Poor Kids	0.07	
Refundable Hope Scholarship and Pell Grant Increase	??	
Challenging Students to Complete College	0.1	
Fathers Responsibility	0.25	5 2.6
Rewarding Work and Family	1	10-15
Expanding Housing Vouchers	0	3 -6
Expanding Health Coverage		
Extend CHIP to Parents	??	10-35
Outreach to Enroll Uninsured	0.2	??
Restore Benefits for Certain Legal Immigrants	?? 3-5	2 6 -12 (?)
Make the EITC More Pro-Work	??	??
EITC Increase for Three Children	??	8
Progressive Savings Account	??	??
Move CCDBG to Discretionary	0.8	
Making DCTC Refundable	??	8
New Markets Initiative and Empowerment Zones		
Expanded New Markets Tax Credit	??	4
Expanded Empowerment Zone Credit	??	??
Expanded Low-Income Housing Tax Credit	??	3.2+
Making Homeownership More Affordable	??	??
<hr/>		
DISCRETIONARY TOTAL	4.09	88-113
<i>Food Stamps for Working Families</i>	<i>0.1-2</i>	<i>0.7-1.7</i>

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Andrea Kane to Cynthia Rice re: SOU Box Update (1 page)	01/04/00	P5

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
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COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Cynthia Rice (Subject Files)
OA/Box Number: 15427

FOLDER TITLE:

Budget-2001-FY-New Ideas-Memo II [1]

rx7

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

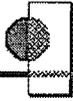
C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



Cynthia A. Rice

01/04/2000 01:29:46 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP, Karin Kullman/OPD/EOP@EOP
cc: Andrea Kane/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP
Subject: What we could announce at the DLC

A couple of announcements that would make real sense to announce at the DLC:

- (1) EITC -- new proposal plus victory lap on record
- (2) Child support -- new proposals plus new accomplishments data (see below)
- (3) Welfare to work success -- new numbers from Welfare to Work Partnership (hiring, retention) plus general accomplishments

And of course we could add our food stamp car and IDA car policies.

These announcements could work either before or after the VP announces the \$250 million employment grants for fathers and families.

What do you think?

New Child Support Data

We will have new data which show i) child support collections have nearly doubled under this Administration (from \$8 billion in 1992 to and estimated \$15.5 billion in 1999); ii) of that \$15.5 billion a record \$1.3 billion came from seizing tax returns (up 18 percent over last year); iii) the new child support computer system proposed by the Administration in 1994 and enacted in 1996 located nearly 3 million delinquent parents and over 650,000 of their bank accounts last year; and iv) a child support law enforcement initiative launched by the Administration last year has investigated nearly 1,000 cases of the worst offenders, making nearly 300 arrests and obtaining \$5.3 million in restitution orders.



Cynthia A. Rice

12/29/99 01:49:52 PM

Record Type: Record

To: Karin Kullman/OPD/EOP@EOP
cc: andrea kane/opd/eop@eop, j. eric gould/opd/eop@eop, eugenia chough/opd/eop@eop
bcc: Records Management@EOP
Subject: Re: update

These descriptions are still accurate. The details of the tobacco policy are still being worked out, but you could use this generic language as a placeholder. Don't call it tobacco "penalty"

Tobacco - Raising the Price of Cigarettes so Fewer Young People will Smoke. Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. To reduce youth smoking, the budget will include a combination of excise taxes and assessments on the industry if companies fail to meet youth smoking reduction targets.

Karin Kullman



Karin Kullman

12/29/99 01:41:36 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, Andrea Kane/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP, Eugenia Chough/OPD/EOP@EOP
cc:
Subject: update

Listed below are the descriptions of the budget initiatives in your area that could be rolled out prior to the SOTU that I have included in the DPC memo regarding rollout. Please let me know if you have any edits, updates, changes, etc. to these descriptions. Any additions in blank areas would be greatly appreciated.

Philanthropy/Faith-Based Initiatives. Among the possible announcements we can make are 1) steps to increase involvement of community- and faith-based groups in after-school and other important programs; and 2) new tax incentives to promote increased charitable giving by all taxpayers.

Tobacco Penalty.

Responsible Fatherhood Initiative: Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty.

We could a) announce new data showing the dramatic increases in child support collections made by this Administration and at the same time put forward a package of proposals to b) ensure every unemployed parent who owes child support goes to work and supports his children; c) collect more child support from parents who can afford to pay; d) revise outdated rules to ensure mothers and children receive more of the support the father pays; and e) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society.



Jennifer Friedman

12/22/99 02:08:56 PM



Record Type: Record

To: Cynthia Rice

cc:

Subject: food stamps immigrants policy

Jack said you were asking about the food stamps immigrant proposals. Let me know if you need more info.

The reproposal of last year's food stamps elderly policy will help 10,000 people by FY05.

The new proposal, to restore benefits to pre 8/22/96 adults in families with kids, will help 150,000 people by FY05.



Cynthia A. Rice

12/15/99 05:27:11 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP, Christopher C. Jennings/OPD/EOP@EOP
cc: See the distribution list at the bottom of this message
Subject: Legal Immigrants/Parents of CHIP Proposal

Apparently our parents of CHIP proposal as currently scored wouldn't give states the option of covering legal immigrant parents, despite the fact that we propose to cover legal immigrant kids under CHIP. (Under current law legal immigrant children who arrived pre 8/96 can be covered by CHIP or Medicaid at state option, and we have proposed and will re-propose to allow the Medicaid/CHIP state option for immigrant children arriving post-8/96.) Mendelson and I realized this yesterday and he's got folks scoring the additional cost. If the parents proposal flies (and I hope it does) I think it would be embarrassing if we left out legal immigrants.

We spoke again to Barbara Chow and others at OMB on other legal immigrant matters. OMB thinks we can pay for re-proposing our proposals from last year plus maybe a small add on which would be helpful but fall short of the advocates wish list. The attached table has more information, but broadly:

Re-proposing FY 2000 proposals: \$1.9 billion over 5 years, \$11.6 billion over 10.
FY 2000 proposals plus small add-on: \$2.1-2.4 billion over 5 years, \$12.3-\$12.6 billion over 10.
Advocates wish list: \$7.2 billion over 5 years, at least \$26 billion over 10



FY01 Budget Ideas 1215 legal immigr

Message Copied To:

Jeanne Lambrew/OPD/EOP@EOP
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**Legal Immigrant Restoration Proposals
DRAFT – December 15, 1999**

FY 2000 Proposal Re-Scored (\$\$ in millions)

Description	# affected In 2005	FY01	FY01-05	FY01-10	
SSI	Disabled after entry, retain 5-year ban, no deeming after 5 years - post 8/22/96	53,000			
	SSI Costs		\$0	\$707	\$5,128
	Medicaid Costs		\$0	\$651	\$5,093
Food Stamps	Restore those reaching age 65 after PRWORA - arrived in US pre 8/22/96	10,000	\$10	\$140	\$315
Medicaid	State option to provide Medicaid and CHIP to children and pregnant women arriving in U.S. post 8/22/96 (current law provides option for pre 8/22/96).	90,000	\$57	\$395	\$1,125
Total				\$1,893	\$11,661

Possible revised proposal (additions to FY 2000 in bold) (\$\$ in millions)

Description	# affected In 2005	FY01	FY01-05	FY01-10	
SSI	Disabled after entry, retain 5-year ban, no deeming after 5 years - post 8/22/96	53,000			
	SSI Costs		\$0	\$707	\$5,128
	Medicaid Costs		\$0	\$651	\$5,093
Food Stamps	(1) Restore those reaching age 65 after PRWORA - arrived in US pre 8/22/96	10,000	\$10	\$140	\$315
	(2a) Restore members of households with eligible children – pre 8/22/96 (children, but not their household members, are already covered) OR		\$55	\$550	\$980
	(2b) Restore children – post 8/22/96 (children pre-8/22/96 already covered)		\$10	\$200	\$615
Medicaid	State option to provide Medicaid and CHIP to children and pregnant women arriving in U.S. post 8/22/96 (current law provides option for pre 8/22/96).	90,000	\$57	\$395	\$1,125
Domestic Violence Victims	For victims of domestic violence as defined in 1996 Immigration Act, eliminate 5-year ban on benefits and restore eligibility for SSI and Food Stamps			*	*
Total				\$2,443 w/food stamp option (2a)	\$12,641 w/food stamp option (2a)
				\$2,093 w/food stamp option (2b)	\$12,276 w/food stamp option (2b)

* This proposal is currently being scored but the OMB examiner expects that it will be insignificant – possibly less than \$10 million over five years.

Not listed but assumed is that any state option for CHIP parents would cover legal immigrant parents (score in works).

CHIP for parents/adults?

Current scores are CHIP/parents doing income
add \$16/5
condition
parents post 1996

**FY 2001 Budget
Legal Immigrant Restoration Proposals
DRAFT - December 15, 1999**

FY2000 Proposal	Description	# affected				
		In 2005	FY01	FY01-05	FY01-10	
SSI	Disabled after entry, retain 5-year ban, no deeming after 5 years -- Post 8/22/96	53,000	\$0	\$707 651	\$5,128 5,093	- Medicaid
Food Stamps	Restore those reaching age 65 after PRWORA - Pre 8/22/96	10,000	\$10	\$140	\$315	
Medicaid	Restore Medicaid and CHIP to children and pregnant women, no deeming or affidavit enforcement	90,000	\$57	\$395	\$1,125	
Total			67	1,893	11,661	- w/ Medicaid

Advocates FY 2001 request	Description	# affected				
		In 2005	FY01	FY01-05	FY01-10	
Medicaid	Adding to FY 2000 proposal a state option to cover all lawfully resident disabled immigrants under Medicaid (i.e., eliminate the 5-year ban)			\$251	gross at least 06 \$461	(2+2)
Food Stamps	Full eligibility to all legal immigrants, no 5-year ban - Pre and Post 8/22/96		\$135	\$1,593	\$3,393	
SSI	FY00 proposal + Aged (reach age 65 or apply for SSI-aged after PRWORA) - Pre 8/22/96	53,000 43,000	\$0 \$78	\$707 \$974	\$5,128 \$2,153	
Refugees	Eliminate 7-year time line on SSI and Food Stamp eligibility - Pre and Post 8/22/96					
Domestic Violence Victims	For victims of domestic violence as defined in 1996 Immigration Act, eliminate 5-year ban on benefits and restore eligibility for SSI and Food Stamps					
Total				53,274 w/o Medicaid	37,624 w/o Medicaid	

5,274.
w/ Medicaid

FY 2001 Alternative #1	Description	# affected			
		In 2005	FY01	FY01-05	FY01-10
Medicaid	Adding to FY 2000 proposal a state option to cover all lawfully resident disabled immigrants under Medicaid (i.e., eliminate the 5-year ban)		?	~ 2,000	?
Food Stamps	Full restoration to all legal immigrants - pre 8/22/96 <u>1-10 post - 96</u>		\$76 \$10	\$606 \$200	\$846 \$615
SSI	Disabled after entry, <u>no 5-year ban</u> , no deeming after 5 years - Post 8/22/96	62,000	\$20	\$958	\$5,815
Refugees	Eliminate 7-year time line on SSI and Food Stamp eligibility - Pre and Post 8/22/96				
Domestic Violence	For victims of domestic violence as defined in 1996 Immigration Act, eliminate 5-year ban on				

Victims	benefits and restore eligibility for SSI and Food Stamps				6,430
Total				158	\$6,661 w/o Medicaid

includes option for legal imm in parents of CHIP

w/ Medicaid \$16

FY 2001 Alternative #2	Description	# affected			
		In 2005	FY01	FY01-05	FY01-10
Medicaid					
Food Stamps					
SSI					
Refugees					
Domestic Violence Victims					
Total					

Options for Benefit Restorations for Non-citizens

(dollars in millions)

Program	Description of Restoration	Number Affected in 2005	Costs in FY01	Costs in FY01-05	Costs in FY01-10
SSI	Pre-8/22/96 Aged (reach age 65 or apply for SSI-aged after PRWORA)	43,000	\$78	\$974*	\$2,153*
	Post-8/22/96 Disabled after entry, retain 5-year ban and deeming until citizenship	30,000	\$0	\$404*	\$2,911*
	Post-8/22/96 ✓ Disabled after entry, retain 5-year ban, no deeming after 5 years	53,000	\$0	\$707#	\$5,128#
	Post-8/22/96 Disabled after entry, no 5-year ban, retain deeming until citizenship	39,000	\$20	\$654*	\$3,506*
	Post-8/22/96 Disabled after entry, no 5-year ban, no deeming after 5 years	62,000	\$20	\$958*	\$5,815*
Food Stamps	Pre-8/22/96 ✓ Restore those reaching age 65 after PRWORA	10,000	\$10	\$140	\$315
	Pre-8/22/96 Restore members of households with eligible children # (reg would be state option)		\$55	\$550	\$980
	Pre-8/22/96 Restore all legal immigrants		\$76	\$606	\$846
	Post-8/22/96** Restore children - no 5-year ban		\$10	\$200	\$615
	Pre- and post-8/22/96 Restore members of households with children, no 5-year ban		\$85	\$1,125	\$2,725
Pre- and post-8/22/96 Restore eligibility to all legal immigrants, keep 5-year ban		\$76	\$796	\$1,651	
Pre- and post-8/22/96 Restore eligibility to all legal immigrants, no 5-year ban		\$135	\$1,593	\$3,393	
Medicaid	Post-8/22/96 ✓ Restore Medicaid and CHIP to children and pregnant women, no deeming or affidavit enforcement (state option)	90,000	\$57	\$395	\$1,125
Special Populations	Description of Restoration	Number Affected in 2005	Costs in FY01	Costs in FY01-05	Costs in FY01-10
Refugees	Pre and post** Eliminate 7-year time limit on SSI and Food Stamp eligibility		Estimates under development		
Domestic Violence Victims	Pre and post** For victims of domestic violence as defined in 1996 Immigration Act, eliminate 5-year ban on benefits and restore eligibility for SSI # and Food Stamps		Estimates under development		

*excludes associated Medicaid costs.

Additional associated Medicaid costs are \$651 million over 5 years; \$5,093 million over 10 years.

✓ FY 2000 budget

BC would add prefer

** CR

Health?

Advocates \$2bi
Paras/CHIP \$1bi??

12/15/99, 11:21 AM

Options for Benefit Restorations for Non-citizens

(dollars in millions)

<i>Program</i>	<i>Description of Restoration</i>	<i>Number Affected in 2005</i>	<i>Costs in FY01</i>	<i>Costs in FY01-05</i>	<i>Costs in FY01-10</i>
SSI	<i>Pre-8/22/96</i> Aged (reach age 65 or apply for SSI-aged after PRWORA)	43,000	\$78	\$974*	\$2,153*
	<i>Post-8/22/96</i> Disabled after entry, retain 5-year ban and deeming until citizenship	30,000	\$0	\$404*	\$2,911*
	<i>Post-8/22/96</i> Disabled after entry, retain 5-year ban, no deeming after 5 years	53,000	\$0	\$707 ^h	\$5,128 ^h
	<i>Post-8/22/96</i> Disabled after entry, no 5-year ban, retain deeming until citizenship	39,000	\$20	\$654*	\$3,506*
Food Stamps	<i>Pre-8/22/96</i> Disabled after entry, no 5-year ban, no deeming after 5 years	62,000	\$20	\$958*	\$5,815*
	<i>Pre-8/22/96</i> Restore those reaching age 65 after PRWORA	10,000	\$10	\$140	\$315
	<i>Pre-8/22/96</i> Restore members of households with eligible children		\$55	\$550	\$980
	<i>Pre-8/22/96</i> Restore all legal immigrants		\$76	\$606	\$846
	<i>Post-8/22/96</i> Restore children – no 5-year ban		\$10	\$200	\$615
	<i>Pre- and post-8/22/96</i> Restore members of households with children, no 5-year ban		\$85	\$1,125	\$2,725
Medicaid	<i>Pre- and post-8/22/96</i> Restore eligibility to all legal immigrants, keep 5-year ban		\$76	\$796	\$1,651
	<i>Pre- and post-8/22/96</i> Restore eligibility to all legal immigrants, no 5-year ban		\$135	\$1,593	\$3,393
	<i>Post-8/22/96</i> Restore Medicaid and CHIP to children and pregnant women, no deeming or affidavit enforcement	90,000	\$57	\$395	\$1,125
<i>Special Populations</i>	<i>Description of Restoration</i>	<i>Number Affected in 2005</i>	<i>Costs in FY01</i>	<i>Costs in FY01-05</i>	<i>Costs in FY01-10</i>
Refugees	<i>Pre and post</i> Eliminate 7-year time limit on SSI and Food Stamp eligibility		Estimates under development		
Domestic Violence Victims	<i>Pre and post</i> For victims of domestic violence as defined in 1996 Immigration Act, eliminate 5-year ban on benefits and restore eligibility for SSI and Food Stamps		Estimates under development		

*excludes associated Medicaid costs.

^hAdditional associated Medicaid costs are \$651 million over 5 years; \$5,093 million over 10 years.

Additional Tobacco Price Idea

12/13/99 DRAFT

Option 5: As in Option 1, starting in FY 2001 the federal tobacco excise tax would be raised by 25 cents. If youth smoking does not decrease by one-third within three years and by half within five years, the excise tax would be raised by another 25 cents in FY 2003 and FY 2005. Thus, to avoid additional tax increases, youth smoking would have to decline by one-third between 1999 and 2002 and by half between 1999 and 2004.

In addition, each company would be charged a surcharge based on the lifetime profit the company would be expected to obtain from each youth smoker (estimated at \$1,450 per child discounted to present value). This surcharge would be imposed as follows. In FY 2001, companies would pay \$500 per child for every child who smoked its company's brands. Then, if youth smoking of a particular company's brands does not decline by one-third within three years and by half within five years, the company would pay another \$500 per child surcharge for each underage smoker above the targets.

For example, if in FY 1999 one million children smoked a particular company's brands of cigarettes, then that company would pay a surcharge of \$500 million (\$500 x 1,000,000). To meet the targets, the number of youth smokers of those brands would need to decline to at least 666,666 by FY 2002 and to at least 500,000 by FY 2004. If 600,000 children smoked the company's brands in FY 2004, the company would pay an assessment of \$50 million in FY 2005 (\$500 x 100,000).

Option 5: Cigarette Price Increases and Revenues, FY 2001-2005

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	25 cents	25 cents	25 cents	25 cents	25 cents	--
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	25 cents	25 cents	50 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	75 cents	--
Excise Tax Revenues***	\$2.9 bi	\$2.9 bi	\$5.8 bi	\$5.8 bi	\$8.7 bi	\$26.1 bi
Company Specific Surcharges**	\$2.1 bi	--	*	--	*	--
Total Revenues	\$5.0 bi	\$2.9 bi	\$5.8 bi*	\$5.8 bi	\$8.7 bi*	\$28.2 bi

* Additional amounts of surcharge revenues will need to be estimated using company-specific data.

** In FY 1999 there were approximately 4.1 million smokers aged 12 to 17 nationwide; thus FY 2001 revenues would be \$500 x 4,100,000.

*** Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

Tobacco Budget Ideas

12/12/99 DRAFT

Price Increase: The following proposals would reduce youth smoking by raising the price of cigarettes and providing tobacco companies with incentives to stop marketing tobacco to children.

Option 1: Starting in FY 2001, the federal tobacco excise tax would be raised by 25 cents. If youth smoking does not decrease by one-third within three years and by half within five years, the excise tax would be raised by another 25 cents in FY 2003 and FY 2005. Thus, to avoid additional tax increases, youth smoking would have to decline by one-third between 1999 and 2002 and by half between 1999 and 2004.

Option 1: Cigarette Price Increases and Revenues, FY 2001-2005

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	25 cents	--				
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	25 cents	25 cents	50 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	75 cents	--
Revenues*	\$2.9 bi	\$2.9 bi	\$5.8 bi	\$5.8 bi	\$8.7 bi	\$26.1 bi

*Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

A comparable price increase would be put in place for other tobacco products (the percentage price increase from current levels would be the same as for cigarettes), using the same tobacco use reduction targets (one-third within three years and half within five years).

Progress in meeting the tobacco use reduction targets would be based on data for children aged 12 to 17 from HHS' National Household Survey on Drug Abuse. (Note: need to double check that survey includes all tobacco products.)

Option 2: The same as Option 1, except the initial excise tax increase would be 35 cents, and it would be raised by 15 cents in 2003 and 2005 if youth smoking reduction targets weren't met.

Option 2: Cigarette Price Increases and Revenues, FY 2001-2005

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	35 cents	--				
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	15 cents	15 cents	30 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	65 cents	--
Revenues*	\$4.1 bi	\$4.1 bi	\$5.8 bi	\$5.8 bi	\$7.5 bi	\$27.3 bi

*Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

Option 3: The same as Option 1, but in addition, if youth smoking of a particular company's brands does not decline by one-third within three years and by half within five years, the company would pay an assessment for each additional underage smoker. This surcharge would be based on the lifetime profit the company would be expected to obtain from each youth smoker (estimated at \$1,450 per child discounted to present value). For example, if in FY 1999 one million children smoked a particular company's brands of cigarettes, then to meet the targets, the number of youth smokers of those brands would need to decline to at least 666,666 by FY 2002 and to at least 500,000 by FY 2004. If 600,000 children smoked the company's brands in FY 2004, the company would pay an assessment of (\$1,450 x 100,000) or \$145 million in FY 2005.

Option 4: The same excise tax levels as Option 2, combined with the company-specific assessment in Option 3.

Note: The McCain bill had the following youth smoking reduction targets:

Calendar Year After Date of Enactment	Required Percentage as a Percentage of Base Incidence Percentage in Underage Cigarette Use*
Years 3 and 4	15 percent
Years 5 and 6	30 percent
Years 7, 8 and 9	50 percent
Year 10 and thereafter	60 percent

State Lookback: Although state officials said the purpose of the \$246 billion state settlements with the tobacco industry was to reduce youth smoking, few states are investing settlement funds in programs to prevent youth tobacco use. This proposal would ensure that if the provisions of the state settlement (45 cent price increase, some limitations on marketing and promotion of tobacco products, and funding for a national foundation to reduce youth smoking) do not actually reduce youth smoking, then states would spend settlement funds on youth smoking prevention programs. The spending provisions would be triggered if youth smoking did not decline by one-third within three years and by half within five years.

Specific funding requirements would be based on CDC recommendations, which vary by state based on state characteristics, such as demographic factors, tobacco use prevalence, and other factors. CDC's recommendations range from \$7 to \$20 per capita in smaller states (population under 3 million), \$6 to \$17 per capita in medium-sized States (population 3 to 7 million), and \$5 to \$16 per capita in larger States (population over 7 million).

A penalty could be structured that would require States that miss the above youth smoking targets to invest additional funding into youth tobacco prevention activities. The greater the percentage rate states miss the targets by the more they would have to invest in prevention activities based on CDC's recommended investment guidelines for the State.

Tobacco prevention could be defined as evidence-based efforts to reduce tobacco, particularly among youth, including: 1) tobacco prevention and control activities at the school, community, and state levels; 2) enforcement of tobacco control laws and regulations; 3) public education programs, including the use of mass media; 4) cessation services consistent with AHCPR guidelines and cessation treatments approved by the FDA; 5) surveillance and evaluation programs to provide accountability.

OMB staff have not discussed this option with Jack Lew and tend to think that, due to state opposition, this proposal would be quite unlikely to pass the Congress.

Support Critical Public Health Efforts to Prevent Youth Smoking: We should support continued funding of tobacco prevention programs at CDC and FDA, and include an increase if possible.

- a) **CDC Funding:** Overall, HHS is requesting \$131 million for CDC in FY 2001 for tobacco prevention efforts, \$30 million over FY 2000 levels. OMB has proposed in passback an increase of \$5 million over FY 2000 levels, for a total of \$105 million. If HHS appeals this passback, we should try to give them additional funds if possible. HHS plans to target the increased funds to: providing technical assistance and support to states, schools, and communities operating tobacco prevention programs, collecting and evaluating data on smoking rates and prevention programs, and funding efforts to reduce tobacco use world wide.
- b) **FDA Funding:** HHS is requesting \$88 million (\$20 million over FY2000 request and \$54 million over FY2000 funding) to expand youth anti-smoking outreach and enforcement activities in all states. In passback, OMB has flat-funded the FDA anti-tobacco program at the FY 2000 \$34 million level, saying appropriators have made clear that they do not intend to increase the funding until the Supreme Court case is completed. If we are willing to propose flat funding, we should insist that OMB agree that if the Supreme Court rules in FDA's favor, we will submit a budget amendment to the Hill for at least the \$68 million we requested in FY 2000, and perhaps more. Alternatively, we should insist that the FY 2001 budget include \$68 million when announced.

HHS said its request of \$88 million would allow FDA to:

- Expand retailer inspections from 400,000 in FY 2000 to 540,000 retailers. Fund retailer information kits and newsletters explaining underage purchasing prohibitions. Complete national retailer database tracking results.
- Monitor compliance with advertising restrictions (if these provisions are put in place, pending Supreme Court review).
- Begin to develop performance standards for cigarettes and smokeless tobacco products, classify products, and inspect industry practices.

Fund the Department of Justice Tobacco Litigation. The Department of Justice has initiated litigation against the tobacco industry to recover certain federal health expenditures caused by tobacco use.

Option 1: Propose \$20 million for the Department of Justice to finance costs incurred in preparing and bringing litigation against the tobacco companies for tobacco-related Federal health costs. This would be the same unsuccessful strategy employed in the FY2000 budget.

Option 2: Include the shared costs of the litigation within the requests for HHS, DoD and VA since the suit is intended to recover the smoking related costs incurred by the Federal government, of which these three departments experienced substantial costs.

OMB plans to fund the litigation at \$20 million, but according to Michael Deich, they have not decided which of these options to prefer. For FY 2000, OMB required HHS, DoD, and VA to each provide \$2.65 billion in funds for the litigation.

Cessation Coverage. Currently, smoking cessation prescription and non-prescription drugs are optional state Medicaid benefits that are matched by the Federal government at the individual states FMAP rate (which on average is 57 percent). Our understanding is that 27 States provide Medicaid coverage for FDA approved smoking cessation products. There are a number of options we could propose to expand the coverage of smoking cessation products for Medicaid and other Federal programs:

Option 1A: Mandate coverage of prescription/nonprescription smoking cessation products and reimburse at FMAP. In 1998, HCFA estimated that the Federal costs of this provision would be about \$114 over 5 years.

Option 1B: Create an enhanced FMAP rate for cessation services. For example, the Hansen-Meehan bill proposed a 90 percent Federal match rate for State costs of providing cessation programs. This enhanced match would theoretically offer States the incentive to cover these services.

Option 1C: Require States to provide cessation programs and require them to fund the costs themselves (using tobacco settlement or other funds). This is the option OMB prefers.

Option 2: Require DoD to provide effective cessation programs and reintroduce the proposal in last year's budget for VA to fund cessation programs for Veterans.

Option 3: Require, through a directive this Spring, the Federal Employees Health Benefits Program to provide a more generous cessation benefit.

Of course, any model of Option 1 can be combined with Option 2 and/or 3.

Farmers: These are two proposals that would allow us to maintain our commitment to ensure the well-being of tobacco farmers, their families and their communities.

- a) **Compensating Tobacco Farmers:** The Agricultural Appropriations bill for FY 2000 directs the Secretary of Agriculture to use \$328 million in funds from the Commodity Credit Corporation to provide payments to compensate flue-cured and burley tobacco farmers that had their quotas reduced in 1999. We could propose an additional \$328 million in FY 2001 for farmers facing quota reduction in 2000.

- b) **Preferable Tax Treatment of Payments to Tobacco Farmers:** Proposals supported by Sen. Robb and Rep. Boucher would exclude from gross income payments made by the tobacco industry to tobacco farmers as part of last year's settlement (The \$5 billion in payments are to be paid out over the next 12 years). The Treasury Department has expressed initial opposition to this proposal, arguing that tobacco farmers should not get to exempt payments from taxes when other farmers cannot. We believe we can argue back that this situation is unique because only tobacco farmers have received these types of payments (settlement payments from companies); other farmers get federal subsidies which are different. Treasury has not yet scored this proposal, but using a few basic assumptions, it appears the provision would cost between \$400 and \$800 million.

Rough scoring assumptions: 1) Taxes would be relieved for \$2.56 billion in payments in the budget window (assuming the provision is made retroactive to 1999 and that only taxes on income through 2004 would be paid during the budget window); and 2) farmers would normally pay either 15 percent or 28 percent tax bracket on such income. Using these assumptions, the provision would relinquish \$384-\$717 million over five years.

Payout schedule for \$5.15 billion in tobacco settlement payments:

1999: \$380 mi
2000: \$280 mi
2001: \$400 mi
2002-2008: \$500 mi
2009: \$295 mi
2010: \$295 mi

DRAFT

December 12, 1999

w/ my edits

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: State of the Union/Budget Ideas

This memorandum provides summaries of all the budget proposals we are developing for the State of the Union, organized by issue area. A separate memo lays out overarching themes and highlights the most compelling ideas.

EDUCATION

A. Smaller Classes, Smaller Schools

1. **A Comprehensive Effort to Modernize and Revolutionize Schools.** As you have often said, the trouble with America's schools as we enter the 21st Century isn't that they aren't what they used to be; it's that they still *are* what they used to be. We need to change that, in two significant ways:
 - **A New Initiative to Repair Existing Schools.** To complement our existing school construction tax credit, which will primarily help fund new construction, we have worked with OMB on a discretionary initiative for FY2001 that would provide funds for immediate repairs. As part of the discretionary budget, this plan will make it more difficult for Congress to ignore school construction in the budget debate next fall.
 - **A Small Schools Initiative to Reform the American High School.** Since Littleton, a movement has emerged to make America's high schools smaller, not only for reasons of safety, but as an engine of reform. This initiative would offer competitive grants to school districts for opening smaller schools (including charter schools), or for breaking up larger schools and such using strategies as schools-within-schools, career academics, or restructured school days. The funds could be used for planning and implementation costs, professional development, team building, minor facility renovation, additional planning time, legal and accounting consulting, supplies and other relevant costs. These funds could also be used to seed small charter high schools in the district. The initiative received \$45 million in the FY2000 omnibus; we recommended expanding funding to at least \$125 million for FY2001.

2. **Class Size.** The Education Department is prepared to settle for \$1.5 billion for class size, only a modest increase from the \$1.3 billion we got this year. If we want a defining fight on 100,000 teachers next fall – and if we want to say credibly that we're on a path to 100,000 over 6 years – we'll have to request a bigger increase than that. Funding class size at \$1.7 – 1.8 billion would make more sense.

B. Turning Around Failing Schools

1. **Universal After-School.** By doubling after-school funding in the FY 2001 budget (from \$453 million in FY 2000 to at least \$900 million in FY 2001), you can meet an urgent goal, which is to provide after-school and summer school to every student in a failing school. You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: \$20-30 billion over 10 years).
2. **Reward High Performance.** This proposal calls for a Rewards Fund that would award funding to states meeting federal performance criteria and would support teacher performance pay demonstration projects described above. From FY 2001-2003, states would receive awards for adopting statewide accountability systems, including high school exit exams, meeting teacher quality requirements, and developing and disseminating report cards ahead of the timetable you are calling for in your ESEA proposal. After 2003, the Reward Fund would incorporate student performance measures as well. (Cost: \$150 million).
3. **Expanding Charter Schools, Second-Chance Schools, and Public School Choice.** With a decent increase in the FY01 budget, you can reach your goal of 3,000 charter schools by the time you leave office. We could also propose using charter funds to create new second-chance schools to serve students who have been removed from their previous schools because of discipline problems. Finally, we should provide seed money for innovative public school choice projects, and continue to support universal public school choice for students in failing schools. (Cost: \$50-100 million).
4. **Education Opportunity Zones.** To encourage innovation and reward districts that end social promotion the right way, we could once again propose Education Opportunity Zones, which we left out of the FY00 budget, but which could attract bipartisan support from Jeffords, Rangel and Clay.

C. Teacher Quality And Performance

1. **Teacher Quality Fund.** Our ESEA proposal includes a Teaching to High Standards block grant that combines Eisenhower Goals 2000, and Title VI. At the passback level of \$1 billion, that block grant can include set-asides for:

- A pay-for-performance and peer review demo (still under development this week in consultation with the Vice President).
- Troops to Teachers (Cost: \$25 million).
- Teacher Recruitment: a down payment on the Vice President's 21st Century Teachers Corps (modeled after Teach for America), and an OMB initiative to recruit future teachers while they're still in high school. (Cost: \$100 million).
- Principals: Without quality school leaders, school reform is destined to fail. Our initiative would fund independent School Leadership Centers to recruit nontraditional candidates and to focus on effective management, school design, technology, and district governance. At present, there is no federal program focused solely on school leadership and only a handful of programs allow funds to be used for it. (Cost: \$25 million).

D. Distance Learning, Higher Standards

1. **AP Online.** Small and poor schools often lack the resources and teachers to offer challenging courses. Indeed, less than 60 percent of high schools today offer AP courses. This distance learning initiative aims to ensure that students in underserved areas get access to high-quality academic courses and ESL programs online. In order to ensure high-quality content, the proposal also calls for a partnership with leading course software developers like APEX (run by Microsoft co-founder, Paul Allen), which would subsidize the cost of high quality Web-based course development in return for cut-rate prices for high poverty school districts. Total funding for the initiative would be \$225 million, including \$50 million for grants, \$25 million for course development, and \$125 million in increases in existing programs.
2. **SAT and ACT Test Prep.** Historically, poor and minority students have not scored well on college entrance exams such as the SAT and ACT. This program would be modeled after California's College Preparation Partnership Program, which the NAACP has recently endorsed. It would support partnerships among high schools, proven providers of college test prep courses (such as Kaplan and Princeton Review), and community-based organizations to offer high-need students college test preparation and other services related to college admissions. Competitive grants of \$30 million would serve approximately 50,000 students.

CHILD CARE

1. **Child Care Subsidies.** Our FY '99 and FY '00 budget requests have included \$7.5 billion over five years in mandatory funds for the Child Care and Development Block Grant (CCDBG). We recommend moving our CCDBG increase request to the discretionary side of the budget (the CCDBG has mandatory and discretionary titles). The discretionary title is currently funded at \$1.182 million. The CCDBG is a forward-funded program, but we recommend adding \$818

million for FY 01 to the title, reaching \$2 billion to the title overall and serving an additional 200,000 low-income children with subsidies, and adding \$1 billion to the title for FY 02.

2. Improving Child Care Quality. The President's FY 99 and FY 00 budget included \$3 billion over five years in mandatory funds to create a new Early Learning Fund to help local communities improve child care quality, through a variety of allowable activities including licensing, accreditation, parent education, etc. We recommend maintaining a request for new child care quality dollars, by moving our request to the discretionary side and building on our FY 99 achievement of \$173 million in CCDBG quality dollars. (Cost: \$350 million).

3. Create Early Childhood Professional Development Grants. Fund this new proposal (currently in our ESEA bill) at \$40 million to provide grants to partnerships between universities, child care providers, and school districts to offer training and professional development to child care providers around language and literacy. (Cost: \$40 million).

4. Campus-Based Child Care. The FY '00 budget included \$10 million to support campus-based child care. According to estimates by universities, only 10-25 percent of the students who need this benefit are being served. We propose doubling this request. (Cost: \$20 million).

5. Child Care in Non-Traditional Hours. We could create a new set-aside within the Child and Development Block Grant to help build supply of non-traditional hour child care (e.g. for parents on night shifts, etc.). According to studies, there is a growing need for this care.

6. Maintain Child Care Tax Credit Expansion Proposal. Expand Child and Dependent Care Tax Credit (CDCTC) to provide greater tax relief to three million low- and middle-income families who are struggling to afford child care. We are also exploring the possibility and cost of making this tax credit refundable. (Cost: \$4-4.5 billion over five years for refundability).

7. Child Care Tax Credit for Businesses. Maintain proposal from last two years to provide tax relief to companies offering child care to their workers. (Cost: \$500 million over five years).

CRIME

1. Federal Firearms Enforcement. To complement our legislative proposals on gun control – and to blunt the rhetoric of the gun lobby – we propose a comprehensive initiative on enforcement and prosecution. This initiative puts an unprecedented level of resources into firearms enforcement. It includes: 1) 500 new ATF agents, to investigate more gun trafficking cases and to bring the successful Youth Crime Gun Interdiction Initiative to more cities; 2) new ATF inspectors to crack down on unscrupulous dealers, manufacturers and distributors; 3) a comprehensive crime gun tracing package; 4) 1,000 new federal gun prosecutors and additional funds to help cities create community gun prosecutors; 5) a major expansion of existing ballistics testing systems; 6) funding for better Brady background checks; and 7) a new national notification system tied to NICS that speeds certain Brady denials (felons and other restricted persons) to local authorities. (Cost: \$309 million).

2. 21st Century Policing Initiative. This is the next generation of COPS, and will put us on the path to reach 50,000 officers by FY 2005. It also funds law enforcement technology, community prosecutors and community crime prevention. (Cost: \$1.475 billion)

3. Police Gun Buybacks. This initiative would encourage state and local police departments to end the practice of re-selling used police guns and confiscated crime guns on the civilian market. The program would purchase used police guns on a one-time basis from departments on the condition that they permanently agree to halt re-sales or trade-ups in the future and destroy all seized firearms. (Cost: \$10 million).

4. Kids and Gun Safety. We have two initiatives in mind: a Treasury proposal to fund gun safety technology experts and expand public education to help prevent children's access to guns and accidental deaths; and a plan to support local media campaigns to highlight proper storage of guns as well as other messages to prevent child access, accidents, and other forms of gun violence. Localities could also use media campaigns to publicize gun penalties to maximize deterrence. (Cost: \$12 million).

5. Community Supervision of Released Offenders. With nearly 500,000 inmates expected to leave prison this year – and with data showing that two-thirds of all released prisoners are re-arrested for new offenses within three years – we plan a broad initiative to address community safety concerns, reduce recidivism rates, and provide support for ex-offenders. The initiative – targeted to areas with the most returning offenders – would be comprised of three elements: 1) community reentry partnerships, through which police and corrections agencies would team up with community providers to monitor and provide targeted social services to offenders; 2) reentry courts modeled on drug courts; and 3) the hiring of more probation and parole officers. The Labor Department is also developing a complementary proposal to help ex-offenders become better fathers and prepare for employment. (Cost: \$125 million).

6. Zero Tolerance Drug Supervision. This initiative combines key programs to promote coerced abstinence from drugs for offenders under criminal justice supervision. The initiative provides (1) \$100 million to help states and localities to drug-test, treat, and punish prisoners, parolees and probationers; (2) \$50 million for drug courts; and (3) \$65 million for the Residential Substance Abuse Treatment program to provide intensive drug treatment to hardcore drug users before and after they are released from prison. (Cost: \$300 million).

WELFARE AND WORK

1. Responsible Fatherhood Initiative. Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. We can put forward a package of proposals to 1) ensure every unemployed father who owes child support goes to work and supports his children; 2) collect more child support from parents who can afford to pay; 3) revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: \$100 million in

From State of Union / Budget Ideas Memo

discretionary costs in FY 2001 plus mandatory costs of \$1.2 billion over 5 years and \$2.6 billion over 10 years).

2. Welfare-to-Work Grants. These grants could fund projects in three areas key to sustaining the success of welfare reform: 1) to help every low income father work, pay child support, and reconnect with his children; 2) to help the hardest to employ move from welfare to work and succeed in the workforce; and 3) to increase job retention, skills upgrading and supports (including outreach on food stamps, Medicaid, child care, and EITC) for low-income working families, including those who have left welfare, through local one-stop employment centers. (Cost: \$1 billion over 5 years and \$2.4 billion over 10 – \$200 of which would be FY 2001 discretionary, the rest mandatory). *Of this, \$600 million over 5 years and \$2 billion over 10 years is for fathers described above in #1.*

3. Affordable Housing for Working Families. This proposal would provide housing vouchers to working families with children who need housing the most. This group of families could be defined in several ways: currently between 500,000 and 1 million working poor families get no housing assistance and pay more than 50 percent of their income in rent and/or live in substandard housing, while about 600,000 families with poor children live in public housing. Adding 100,000 vouchers a year for five years (reaching 500,000 in the fifth year) would cost about \$3 billion dollars, and reaching a million families within 10 years would cost twice as much. This ignores the cost of renewing vouchers in the years after they are put in place, which OMB does not normally include in cost estimates but would create large ongoing obligations (\$20 billion or more if a million families are served). (Cost: \$3 to \$6 billion over 5 years).

4. Employment for People with Disabilities. By enabling people with disabilities to work and keep their health care, the Ticket to Work and Work Incentives Improvement Act of 1999 will give individuals with disabilities a greater opportunity to participate in our nation's workforce. To build on this progress, we have a package of proposals. Among them would be a program to improve local One-Stop employment and training offices to better serve people with disabilities, as well as technical assistance, tax credits and assistive technology. (Cost: \$113 million in discretionary funds in FY 2001, and \$700 million in mandatory funds over 5 years).

5. Food Stamps. There are several proposals we could make to help ensure access to food stamps for working families. Unlike the executive actions we took last July, these require legislative changes. One is to raise the vehicle asset limit for TANF. This proposal would give states the option to conform this food stamp vehicle limit to the vehicle limit used in their TANF or Medicaid program, ensuring families that work their way off welfare do not suddenly face the loss of their food stamps if they buy a reliable car. Another is to provide at least \$15 million for FY 2001 for on-going food stamp outreach efforts, including campaign materials and an enhanced 1-800 number. To improve nutrition among the elderly, we could offer a pilot program to make it easier for this population to access food stamps. Less than 30 percent of the elderly who are eligible for food stamps actually participate. (Cost: \$80 million discretionary, \$700 million - \$1.7 billion mandatory).

6. Legal Immigrant Benefits. At a minimum we should repeat the proposals we made last year, and there are compelling reasons to go further in several areas. Our FY2000 proposal would have provided a state option to cover children and pregnant women under CHIP and

Medicaid, regardless of when they entered the U.S. (Under current law, states have this option only for immigrants who arrived in the U.S. before 8/22/96.) This proposal has bipartisan support. We could also allow legal immigrants who are qualified under the Violence Against Women Act due to domestic violence to be eligible for all federal public benefits, including SSI, food stamps, TANF, Medicaid, and CHIP, regardless of the date of entry. In addition, we could eliminate the 7 year limitation on the exemption from all benefits for refugees and asylees, propose making all legal immigrants eligible for food stamps, and restore SSI eligibility to more legal immigrants. (Cost: \$2 to \$6 billion).

Lower Sugars

7. Cars to Work. There are several ways we could help low income families get the transportation they need to get to work. In addition to providing full funding for the Access to Jobs Transportation program (\$150 million), we could launch a program providing one-time seed funding of \$10 million to one or more national organizations to provide loans to low-income families to repair or purchase cars, *and ease the Food Stamp vehicle limit as described above.*

8. Individual Development Accounts. We support \$25 million for the Assets for Independence IDA demonstration program, which is the full authorized level and more than double the \$10 million appropriated for the last two years. We also recommend a legislative change to allow low-income families to use IDAs to save for a car that will allow them to get a job, keep a job, or take advantage of job opportunities they couldn't otherwise access. Currently IDAs can be used to purchase a home, pay for higher education, or start a small business. (Cost: \$25 million).

9. Boosting Homeownership. We are working on a number of options to promote homeownership among low-income families and think this, along with other proposals, could be part of a proposal to reduce the "asset gap" among racial and ethnic minorities. We understand Treasury is developing a proposal to encourage homeownership through a tax credit that reduces monthly costs for low-income homebuyers. PPI has proposed "no interest second mortgage tax credits" to lending institutions that are willing to make small no-interest 25 year loans to qualified low-income families to use as down payments. Incentives could also be provided to employers to help their low-income employees buy homes, such as Bank of America's Associate Home Ownership Program which was highlighted in the President's August 3rd welfare town hall. This approach has the advantage of connecting employment and homeownership, and enlisting employer participation, but on balance, it probably makes more sense to subsidize individuals than businesses. We could certainly highlight leading-edge companies such as Bank of America, whose efforts would complement a tax credit for families, in any announcement. We are also exploring ways to highlight existing authority to use Section 8 vouchers toward homeownership, through publication of housing regulations and other administrative actions.

*Drop - Treasury
has very viable idea
but not clearly in
WEC -*

10. Increasing Targeted Substance Abuse Treatment. We could build on our success in the FY 2000 budget process by requesting an additional increase for SAMHSA's Targeted Capacity Expansion Grant program. In FY 2000 we succeeded in getting \$114 million, slightly above our request of \$110 million and more than double FY 99 levels. These funds are provided on a competitive basis to communities to meet emerging substance abuse problems and unmet treatment needs. In past years, a significant number of grants have focused on women moving from welfare to work, Native Americans, youth offenders, and HIV/AIDS. We could also designate a portion of these resources for treatment in communities who participate in the re-

entry initiative. These grants are a high priority for Mayors and for the Congressional Black Caucus, and HHS proposed a substantial increase in its budget submission. (Cost: \$139 million).

PHILANTHROPY, FAITH AND SERVICE

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page*

1. Faith-Based Involvement in Substance Abuse Treatment, Juvenile Justice, and After-School Programs. Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations. The substance abuse treatment idea is included in the Frist-sponsored Senate SAMSHA reauthorization bill. A House bill, by Representatives Watts and Talent, ~~allows faith-based groups to receive funded through both SAMSHA and Medicaid. (Currently, faith-based groups can be Medicaid providers only if they are actually health care providers or are involved in certain outreach activities).~~ The Juvenile Justice bill in conference included provisions allowing faith-based groups to provide certain services. Faith-based groups are not currently eligible for direct funding through the 21st Century Community Learning Centers program, but the Department of Education has made clear that faith-based groups can be partner with programs that receive direct funds. (Cost: none).

2. Deductibility of Charitable Contributions for Nonitemizers. One broad change that could effect both the level and composition of individual gifts would be to allow non-itemizers to claim a deduction (or tax credit) for charitable contributions above a certain floor. In addition to affecting the total amount of charitable contributions, allowing non-itemizers to take such a deduction could also affect the proportion of gifts going to different types of recipients since non-itemizers gifts disproportionately benefit religious organizations and social service groups as opposed to educational institutions and private foundations. (Cost: \$2 to \$6 billion a year).

3. Allowing Charitable Giving Until April 15. If the charitable deduction is meant to provide incentives for charitable giving, the program should encourage such activity to the fullest extent. The cost of this proposal is negligible.

4. Excise Tax on Investment Income of Private Foundations. Private foundations pay an excise tax on their net investment income, with a complicated formula requiring some to pay 1 percent tax and others to pay a 2 percent tax. While the intent of the distinction between a 1 and 2 percent rate of tax on investment income was to prevent foundation disbursements from falling, the mechanism is unduly complicated and may even dampen foundation giving. This excise tax should be eliminated or modified. In 1997, foundations paid \$486 million in federal excise taxes. (Cost: to be determined, probably about \$500 million).

5. Nonprofits Capacity Building Program (NCBP). In order to create a stronger and more effective nonprofit sector, capacity and technical assistance could be provided to train and manage assistance for nonprofit and community-based organizations through development centers nationwide. This could be accomplished either through a new and dedicated program or through existing agencies such as the SBA. (Cost: \$50 million).

6. Social Venture Capital Formation. We are exploring the idea of stimulating "venture philanthropy" by allowing a tax credit (greater than the current deduction for charitable gifts) to

Use this from 12/10 memo
on p 86 memo

INSERT

allowing a tax credit (greater than the current deduction for charitable gifts) to corporations and individuals who contribute to "neighborhood organizations" engaged in educational, social and economic services to aid impoverished people. To be eligible for the credit, obligors would have to make a contribution over a certain floor and apply with an IRS tax exempt non-profit in submitting a joint proposal. The initiative encourages businesses to form more committed partnerships with grantees in order to achieve the long-term goals of the nonprofit organization.

g) **Faith Based Involvement in Substance Abuse Treatment, Juvenile Justice, and After-School Programs (Cost: None):** Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations. The substance abuse treatment idea is included in the Frist-sponsored Senate SAMSHA reauthorization bill and in a House bill, by Representatives Watts and Talent (which also restructures SAMSHA into a voucher program). The Juvenile Justice bill in conference included provisions allowing faith-based groups to provide certain services. Faith-based groups are not currently eligible for direct funding through the 21st Century Community Learning Centers program, but we could allow a certain percentage of funds (10 to 25 percent) to be used by community based organizations, including faith-based groups.

~~This proposal will be controversial among House Democrats. In November, 176 House Democrats voted for an Edwards amendment limiting the scope of the charitable choice provisions in the Fathers Count bill to organizations that are not pervasively sectarian (34 Democrats voted against the amendment). Voting with Edwards were a number of conservative Democrats (Fanner, Spratt). Also most Democratic members of the House Commerce committee, which has jurisdiction over SAMSHA, voted for the Edwards amendment, including Dingell and Waxman.~~

8. **Transportation, with emphasis on Cars to Work theme:** There are several ways we could help low income families get the transportation they need to get to work.
- a) **Access to Jobs Transportation:** The budget already contains funding at the full authorized level of \$150 million.
 - b) **Family Loan Program (\$10 million in FY 2001):** We could provide one-time seed funding through DOL totaling \$10 million to one or more national organizations to provide loans to low-income families, which under current models families use primarily to repair or purchase cars, based on the Ways to Work program which has already provided \$13 million in microloans to over 12,000 families in about 30 sites, many of which go to purchase cars
 - b) **Food Stamp Vehicle Limit:** See above.
 - c) **IDAs -- Expand to Include Cars:** See below.

individuals and corporations that contribute to neighborhood organizations engaged in educational, social and economic services for the poor. To be eligible for the credit, obligors would have to make a contribution over a certain floor and submit a joint proposal with a tax-exempt non-profit. The initiative encourages businesses to form more committed partnerships with grantees in order to achieve the long-term goals of the nonprofit organization.

7. Improving Disclosure by Charitable Organizations. By far the most important source of public information about charitable organizations is the IRS Form 990 annual information returns. Over the years, the amount of information to be included on these returns by charitable organizations has increased, as have the penalties for failure to file and accurately completing these returns. Despite the evolution, the Forms 990 are frequently criticized both by charities who have difficulty completing them and by the public that has difficulty reading them. Requiring electronic filing of Forms 990 would make it easier for the public to access this information and reduce fraud. (Cost: minimal to none).

~~**8. Second Chance Homes.** Provide funding through HHS for second chance homes, including homes funded by faith-based organizations, to teen parents to help them and their children succeed. Perhaps these funds could fall under the rubric of preventing child neglect, and could be funded through IVB or IVE programs (will coordinate with our children and families team). States can use TANF funds for these purposes.~~ *per email from CR*

~~**9. Assistance to Children of Prisoners.** Propose new funding in the HHS Community Services Block Grant programs to fund community and faith-based organizations to assist children of prisoners (current CSBG funding is about \$500 million per year). This could be coupled with other ex-offender proposals, including possible faith-based ministries in re-entry programs.~~ *per email from CR*

10. AmeriCorps Reserves Program. This program would be modeled on the military Reserves program. Young people would serve in the Reserve Corps on weekends and/or after work in exchange for funds that could be used toward: repaying student loans, financing further education for self or children, start-up costs for non-profits and charter schools, down payment on a first home, etc. The mission of the Reserve Corps would be to address national problems and crises, including natural disasters and domestic social problems while, at the same time, working to renew and reinvigorate civic life by committing to service, responsibility, and citizenship. Reserve Corps members would be given flexibility in terms of how much time they were willing/able to serve each year and would be awarded correspondingly. (Cost: \$4 million).

11. Community Coaches. Provide seed money to school districts to fund point people in the public schools who "coach" community service for kids and who act as liaisons to the surrounding business and civic leaders. (Cost: \$5 million).

WORK, FAMILY AND CHILDREN

1. Benefits for Alternative/Contingent Workers. Alternative workers, including agency temps, part-time workers, and independent contractors, are less much likely than traditional workers to receive or be eligible for health insurance coverage and pension benefits from their

employers. For example, seven percent of agency temporaries receive health insurance coverage from their employers, and only 24 percent are eligible and only four percent of agency temporaries participate in an employer retirement plan and only 10 percent are eligible to do so. We are considering tax credits that encourage non-profit organizations and unions to offer (health insurance and) pension/401-k benefits. We are also looking into requiring Census CPS to develop better measures of this fast-growing but vaguely-defined sector of the workforce. According to the Bureau of Labor Statistics, the category of workers that includes independent contractors, on-call workers, temporary workers, and contract workers comprises 12.5 percent. In addition to the 18.3 percent of the workforce that is employed part-time, approximately 30 percent of the workforce is employed by some alternative arrangement. It has been difficult, however, to collect accurate data (which would inform policy decisions) on this class of workers, as well as telecommuters and other alternative workers.

2. Support Domestic Partners. You could recognize the changing nature of the American family and empower non-traditional families by calling for the inclusion of domestic partners in the Family and Medical Leave Act. We could support Representative Maloney's bill to amend the Family and Medical Leave Act (FMLA) to permit leave to care for a domestic partner, parent-in-law, adult child, sibling, or grandparent if the family member has a serious health condition. We could also take leadership in the drive to include domestic partners as health care beneficiaries by putting forward an Executive Order calling for the inclusion of domestic partners in the Federal Employee Health Care Benefit plan.

3. New Paid Leave Demonstration Program. We are exploring a proposal through which states could use the Unemployment Insurance system to create a federally funded, state-administered paid parental leave program. The cost estimate would grow significantly if we cover all workers regardless of income and/or if we cover both parents in a household, and would decrease significantly if we introduce a state match requirement.

4. Youth Empowerment Fellowships. We would reward social entrepreneurship by providing fellowships to young people who have developed innovative community initiatives. The Fellowships could be modeled on programs like the Echoing Green Fellowships, which are targeted to young social entrepreneurs who can catalyze positive social change. Alternatively, grants could be modeled on youth-driven grant programs such as the Oakland Fund for Children and Youth which dedicates 2.5% of the City of Oakland General Fund to youth development projects. The awards would be selective (e.g. 100 per year), prestigious, and would represent a diverse set of young people and set of ideas for youth empowerment. (Cost: \$20 million).

5. Rewarding Youth Achievement. We are considering reviving this proposal, which was floated in the FY2000 budget. The goal of RYA is to increase the rate at which academically achieving, economically disadvantaged students graduate from high school and continue on to higher levels of education or training. RYA would provide summer employment to youth who meet academic achievement and attendance standards. Participants would also be eligible for an end-of-summer bonus if they perform well in their summer job. In addition, RYA would provide career counseling, mentoring, and tutoring to place participants in career related employment.

6. Children's Savings Accounts. Set up an asset-building program that would fund accounts for children as they are born. Children could be provided with \$1,000 "start in life" deposits for the roughly four million babies born each year, followed by \$500 yearly deposits until age five. CSAs would be available for higher education, first-home purchase, and small-business capitalization. The accounts would be funded through a combination of direct government deposits and tax deductions, and contributions would be encouraged through tax incentives for relatives, employers, corporations, churches, and others. (Cost: \$40 billion over five years).

IMMIGRATION AND CIVIL RIGHTS

1. Making Naturalization Easier. Earlier this year, an independent auditor issued a report recommending numerous changes to streamline and improve the current citizenship test and naturalization process. This proposal would provide the resources and the technical expertise to implement the recommendations. (Cost: \$1.5 million).

2. ESL/Civics Initiative. This year we won partial funding for our proposal to provide funding for English as a Second Language programs that are linked to civics and life skills instruction. (Your request was \$70 million and we received \$25.5 million in the final budget agreement). In FY2001, we should request at least \$75 million.

3. AgNet Registry. This proposal would create an online job registry for growers and farmworkers alike, and thus help growers find an adequate labor supply in a predictable and timely manner. (Cost: \$10 million).

4. EEOC/Equal Pay Initiative. In FY 2000, we requested \$10 million for a new Equal Pay Initiative to increase compliance with equal pay laws. It would provide training to EEOC employees to identify and respond to wage discrimination, increase technical assistance to businesses on how to meet legal requirements, and launch an equal pay public announcement campaign to inform employers and employees alike of their rights and responsibilities. EEOC only received a slight increase in the final FY 2000 budget, which did not include \$10 million for this important initiative. We should repeat the request.

TOBACCO

1. Price Increase. There are several ways we could repackage tax proposals from FY2000. Option 1A: A 55 cents per-pack increase to be collected through tobacco excise taxes. This option should raise about \$6.4 billion a year. Option 1B: A per-pack excise tax triggered by youth smoking rates. An increase in the per-pack excise tax would be triggered by missing the target rates for each year. The determination of the excise tax increase would depend on the level that the target rate was missed. Option 1C: Combine elements of Options 1A and 1B so that a per-pack excise tax exists for the first two years and is thereafter determined by youth smoking rates. Option 2: Acceleration of the BBA's 15 cents excise tax. The 1997 Balanced Budget Agreement (BBA) raised the excise tax 10 cents per-pack effective January 1, 2000 and another 5 cents effective January 1, 2002, for a cumulative 15 cent increase. The FY 2001

Replace with summary from 12/12 memo. (see attached) next page

budget could accelerate the effective date of the additional 5 cents, raising several hundred million dollars. We may wish to consider packaging a tax increase with a particular spending proposal, such as Medicare prescription drugs.

2. State Lookback. Although state officials said the purpose of the \$246 billion state settlements with the tobacco industry was to reduce youth smoking, few states are investing settlement funds in programs to prevent youth tobacco use. This proposal would ensure that if the provisions of the state settlement (45 cent price increase, some limitations on marketing and promotion of tobacco products, and funding for a national foundation to reduce youth smoking) do not actually reduce youth smoking, then states would be required to spend settlement funds on youth smoking prevention programs. The spending provisions would be triggered if certain youth smoking reduction targets were not met.

3. Preventing Youth Smoking. We should support continued funding of tobacco prevention programs at CDC and FDA, and include an increase if possible. CDC would provide technical assistance, strengthen tobacco use science for public health action and work with partners to create global tobacco programs. FDA funding would go to enforcement and evaluation and product regulation.

4. Department of Justice Tobacco Litigation. The Department of Justice has initiated litigation against the tobacco industry to recover certain federal health expenditures caused by tobacco use. We could either propose \$20 million for the Department of Justice to finance the litigation (the same unsuccessful strategy employed in the FY2000 budget) or include the shared costs of the litigation within the requests for HHS, Defense and VA, since the suit is intended to recover the smoking related costs incurred by the Federal government, of which these three departments experienced substantial costs. (Cost: \$20 million).

5. Expanding Cessation Coverage. Currently, smoking cessation prescription and non-prescription drugs are optional state Medicaid benefits that are matched by the federal government at the individual states FMAP rate (57 percent on average). Our understanding is that 27 States provide Medicaid coverage for FDA approved smoking cessation products. There are a number of options we could propose to expand the coverage of smoking cessation products for Medicaid and other federal programs. These include mandating coverage of prescription/nonprescription smoking cessation products, requiring Defense to provide effective cessation programs, or requiring the Federal Employees Health Benefits Program to provide a more generous cessation benefit.

6. Assisting Tobacco Farmers. These are two proposals that would allow us to maintain our commitment to ensure the well-being of tobacco farmers, their families and their communities. The first would directly compensate tobacco farmers. The Agricultural Appropriations bill for FY 2000 directs the Secretary of Agriculture to use \$328 million in funds from the Commodity Credit Corporation to provide payments to compensate flue-cured and burley tobacco farmers that had their quotas reduced in 1999. We could propose an additional \$328 million in FY 2001 for farmers facing quota reduction in 2000. The second approach would be to provide preferable tax treatment of payments to tobacco farmers. Proposals supported by Sen. Robb and Rep.

chart to p 11

Tobacco Budget Ideas

12/12/99 DRAFT

Price Increase: The following proposals would reduce youth smoking by raising the price of cigarettes and providing tobacco companies with incentives to stop marketing tobacco to children.

Option 1: Starting in FY 2001, the federal tobacco excise tax would be raised by 25 cents. If youth smoking does not decrease by one-third within three years and by half within five years, the excise tax would be raised by another 25 cents in FY 2003 and FY 2005. Thus, to avoid additional tax increases, youth smoking would have to decline by one-third between 1999 and 2002 and by half between 1999 and 2004.

Option 1: Cigarette Price Increases and Revenues, FY 2001-2005

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	25 cents	--				
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	25 cents	25 cents	50 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	75 cents	--
Revenues*	\$2.9 bi	\$2.9 bi	\$5.8 bi	\$5.8 bi	\$8.7 bi	\$26.1 bi

*Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

A comparable price increase would be put in place for other tobacco products (the percentage price increase from current levels would be the same as for cigarettes), using the same tobacco use reduction targets (one-third within three years and half within five years).

Progress in meeting the tobacco use reduction targets would be based on data for children aged 12 to 17 from HHS' National Household Survey on Drug Abuse. (Note: need to double check that survey includes all tobacco products.)

Option 2: The same as Option 1, except the initial excise tax increase would be 35 cents, and it would be raised by 15 cents in 2003 and 2005 if youth smoking reduction targets weren't met.

Option 2: Cigarette Price Increases and Revenues, FY 2001-2005

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	35 cents	--				
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	15 cents	15 cents	30 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	65 cents	--
Revenues*	\$4.1 bi	\$4.1 bi	\$5.8 bi	\$5.8 bi	\$7.5 bi	\$27.3 bi

*Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

Option 3: The same as Option 1, but in addition, if youth smoking of a particular company's brands does not decline by one-third within three years and by half within five years, the company would pay an assessment for each additional underage smoker. This surcharge would be based on the lifetime profit the company would be expected to obtain from each youth smoker (estimated at \$1,450 per child discounted to present value). For example, if in FY 1999 one million children smoked a particular company's brands of cigarettes, then to meet the targets, the number of youth smokers of those brands would need to decline to at least 666,666 by FY 2002 and to at least 500,000 by FY 2004. If 600,000 children smoked the company's brands in FY 2004, the company would pay an assessment of (\$1,450 x 100,000) or \$145 million in FY 2005.

Option 4: The same excise tax levels as Option 2, combined with the company-specific assessment in Option 3.

Note: The McCain bill had the following youth smoking reduction targets:

Calendar Year After Date of Enactment	Required Percentage as a Percentage of Base Incidence Percentage in Underage Cigarette Use*
Years 3 and 4	15 percent
Years 5 and 6	30 percent
Years 7, 8 and 9	50 percent
Year 10 and thereafter	60 percent

State Lookback: Although state officials said the purpose of the \$246 billion state settlements with the tobacco industry was to reduce youth smoking, few states are investing settlement funds in programs to prevent youth tobacco use. This proposal would ensure that if the provisions of the state settlement (45 cent price increase, some limitations on marketing and promotion of tobacco products, and funding for a national foundation to reduce youth smoking) do not actually reduce youth smoking, then states would spend settlement funds on youth smoking prevention programs. The spending provisions would be triggered if youth smoking did not decline by one-third within three years and by half within five years.

Specific funding requirements would be based on CDC recommendations, which vary by state based on state characteristics, such as demographic factors, tobacco use prevalence, and other factors. CDC's recommendations range from \$7 to \$20 per capita in smaller states (population under 3 million), \$6 to \$17 per capita in medium-sized States (population 3 to 7 million), and \$5 to \$16 per capita in larger States (population over 7 million).

A penalty could be structured that would require States that miss the above youth smoking targets to invest additional funding into youth tobacco prevention activities. The greater the percentage rate states miss the targets by the more they would have to invest in prevention activities based on CDC's recommended investment guidelines for the State.

Boucher would exclude from gross income payments made by the tobacco industry to tobacco farmers as part of last year's settlement.

OTHER POLICY INITIATIVES

1. Closing the Digital Divide. We have been working with NEC to put together an initiative to address both the access gap and the skills gap that help create the "digital divide." We are considering a broad proposal that would subsidize home Internet access and computer leasing for low-income families, as well as efforts to ramp up Community Technology Centers and to draw private sector partnership commitments.

2. Native American Initiative. We have worked with Lynn Cutler to develop an ambitious, cross-agency package of proposals intended to benefit Native Americans. Included in the package are new initiatives on Indian health, dedicated monies for foster care and family caregiver programs, grants for tribal technology infrastructure, Native American small business development centers, 1000 new Native American professionals, a DOJ/BIA law enforcement initiative, a tribal youth mental health program and an array of other proposals. (Cost: \$681 million).

3. National Cardiac Arrest Emergency Plan. Each year, approximately 250,000 Americans suffer cardiac arrest. The American Heart Association estimates that a national plan in this area could save almost 50,000 lives. It seems likely that some form of the Cardiac Arrest Survival Act will pass this year, and it would be wise to supply funds to make its goals a reality. The Act provides for: (1) a plan for providing defibrillators in public buildings and (2) establishing protections from civil liability arising from the emergency use of the devices.

4. Enhancing the Nation's Food Safety System. CDC estimates that contaminated food kills up to 5,000 Americans and sickens 76 million more each year. This initiative will increase the number of imported and domestic food inspections by over 7,000, with a special emphasis on high-risk domestic foods such as eggs and unpasteurized juice. It will also place an additional 100 inspection agents in the field. The FDA expects that this new investment will prevent over 100,000 illnesses per year. (Cost: \$35 million).

5. Mainstream Homeless Initiative. This initiative would create, for the first time, a mechanism to help states ensure that so-called "mainstream" programs -- Medicaid, CHIP, TANF, and the Mental Health and Substance Abuse Block Grant -- are accessible to the homeless. States would look at areas such as: (1) how outreach is being done; (2) how intake questioning captures indicia of homelessness; (3) what outcome measures are in place to see whether homeless needs are being addressed. (Cost: \$10 million).

6. Violence Against Women Act (VAWA II). In 1994, Congress passed the Violence Against Women Act (VAWA I), an historic piece of federal legislation that contains a broad array of ground-breaking laws to combat the epidemic of violence against women. Despite VAWA I's success, legislators and advocates alike agree that many gaps in our laws remain. Building upon these successful initial steps, VAWA II extends programs more comprehensively. We are also

working with the agencies to develop some other domestic violence ideas. (VAWA needs to be reauthorized in FY2001).

Jack + Larry

12/23

immigrants

→ everything in last year plus

\$2.3 bi over 5
incl. old Medicaid #

may change

→ adults

\$429 mi

effective April 1, 2001

applies to those in U.S. before 8/22/96

** how many → will opt to us
helped

→ DV

→ HHS raised implementation issue

→ looked food stamps

→ too small SSI

→ may have

** will talk about this later

Food Stamp Vehicle

Completed April 1, 2001

Wrote State option both TANF and Medicaid

→ Need DOJ OLC sign off (involved in previous litigation) OMB EG + USDA

→ Memo to Director on cost neutrality of dairy reg

→ Need \$50 mi WTBonus funds (gives us \$\$ in 101)

→ Medicaid cost allocation - ~~costs~~

→ Child + Adult Care Food Refunds

→ Student loans (out years)

→ TANF supplemental grants

- extra savings child support
- shift timing SSI supplemental
 - shift to 2001 from 2009

WAW Grants

New discretionary

implicitly carrying out year discretionary costs
 → sure state

→ do we want to move to mandatory if we can?

How to weigh

→ likelihood of enactment

→ do we have existing authority?]

**

Payable

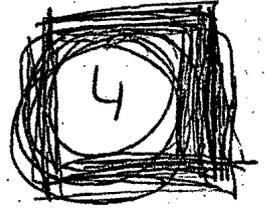
**

** → extend deadline early years savings/out year costs

** schedule from wk

DOL Ex-officer

would use demo authority



Disabilities

Will do something

→ \$5 - \$6 mi

→ will do \$8 if we can

→ keep \$1 mi

→ rest to be awarded

? should it be in Policy office or ETA?

\$1.6 now
would add to that

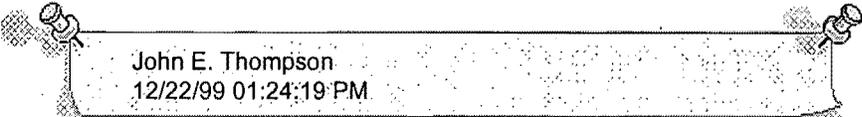
Budget chapters

(a) Functions chapter

Function 500 - Employment/Training

(b) Initiatives

→ Education & Training / Income Support,
Working Families



John E. Thompson
12/22/99 01:24:19 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc: michael deich/omb/eop@eop, j. eric gould/opd/eop@eop, david j. haun/omb/eop@eop

Subject: Re: DOJ \$ for child support enforcement 

The settlement level for DOJ includes \$5m for the U.S. Attorneys for child support enforcement, as proposed last year. It's in.



Cynthia A. Rice

12/20/99 06:26:15 PM

Record Type: Record

To: Karin Kullman/OPD/EOP

cc: Andrea Kane/OPD/EOP, J. Eric Gould/OPD/EOP, Eugenia Chough/OPD/EOP

Subject: Here's a rough summary of how we might package some budget ideas for rollout



FY01 Budget Ideas 1220 rollout summary Note that many of these are still not ready/not settled. Also note, we've never really figured out what to call the last item -- it usually goes under "philanthropy" -- that will probably be the most recognizable shorthand to other folks, but I think Bruce was searching for another term. We've also toyed with "faith and community." On the disabilities one, this includes health team and NEC things, but this is a pretty complete list I think of what's floating around.

Rewarding Work and Family: Unveil, perhaps with or after possible child care, health insurance coverage, and EITC announcements, additional key initiatives to promote work and family, including a) 120,000 new housing vouchers for hard-pressed working families; b) grants to help low-income working parents succeed on the job and move up the career ladder; and c) initiatives to help working families get to work, through transportation grants and changes to ensure families don't have to choose between a reliable car and food stamps.

Responsible Fatherhood Initiative: Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. We could a) announce new data showing the dramatic increases in child support collections made by this Administration and at the same time put forward a package of proposals to b) ensure every unemployed parent who owes child support goes to work and supports his children; c) collect more child support from parents who can afford to pay; d) revise outdated rules to ensure mothers and children receive more of the support the father pays; and e) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society.

Employment for People with Disabilities: By enabling people with disabilities to work and keep their health care, the Ticket to Work and Work Incentives Improvement Act of 1999 will give individuals with disabilities a greater opportunity to participate in our nation's workforce. To build on this progress, the FY 2001 budget will contain proposals to assist people with disabilities in transitioning into the workplace, possibly including a) funding a \$1,000 tax credit for workers with disabilities, b) extending Medicare coverage even longer for people with disabilities who return to work, c) improving access to assistive technology, d) ensuring the Department of Labor's employment One Stop centers better serve people with disabilities, e) funding a new Office of Disability Policy at the Department of Labor and f) increasing enforcement of the Americans with Disabilities Act.

Promoting Independent Solutions: The budget may contain several initiatives to promote important efforts by the independent, nonprofit sector, including a) promoting increased charitable giving by allowing all taxpayers to take a tax deduction for charitable contributions (only taxpayers who itemize now can) and reducing or eliminating the excise tax that foundations must pay; b) increasing the capacity of the nonprofit sector through a new Nonprofit Leadership Initiative; and c) increasing the involvement of community- and faith-based groups in after-school and other important programs. Some of these initiatives grew out of follow-up to the October White House Conference on Philanthropy.

Andrea Kane

12/17/99 12:20:07 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP
cc: Mary L. Smith/OPD/EOP@EOP
Subject: ATJ & Tribes

Mary and NEC have been working with DOT to develop a package of '01 tribal transportation proposals. We worked to make sure they gave serious consideration to allowing tribes to apply directly for Access to Jobs grants (as you know we've been going back and forth with FTA about this for a while). Yesterday, DOT agreed to propose appropriations language that will allow tribes to apply directly for Access to Jobs grants. They also plan to set aside \$5 M within the \$150 M for tribes, but they think this can be done administratively through the application process. Apparently they also plan to do a similar set-aside for projects in the Delta. Set-aside grants would still have to follow the ATJ program requirements.



Cynthia A. Rice

12/16/99 10:09:09 AM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP
cc:
bcc: Records Management@EOP
Subject: Re: FY01 food stamp outreach proposal

Can you call Jennifer Friedman and work with her to figure out how to spend the \$15 million? (Since this is discretionary we would only worry about the year 1 costs.)

I think your summary looks fine but it's essentially a much more articulate version of what we proposed last year and couldn't get the ag appropriators to fund. Jennifer and Jeff Farkas are trying to figure out if they can squirrel away some of the \$15 million elsewhere in a place that will be more likely to get funded.

J. Eric Gould 12/15/99 06:39:52 PM



J. Eric Gould

12/15/99 06:39:52 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP
cc:
bcc:
Subject: Re: FY01 food stamp outreach proposal

attached is my version of FNS's version that was axed by the Secretary's office and; therefore, never went to OMB for consideration. I made some changes to it adding some language on working poor and playing down some of their nutritional education ideas and playing up on the outreach (education about eligibility) aspects.

I didn't remember you telling me that you already mentioned bumping it up to \$15 million to Barbara.
Cynthia A. Rice



Cynthia A. Rice

12/15/99 06:33:59 PM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP
cc: Eugenia Chough/OPD/EOP@EOP
bcc:

Subject: Re: FY01 food stamp outreach proposal 

As you know I asked Barbara to up the number to \$15 million, and at the welfare meeting late this afternoon Jennifer Friedman said OMB is prepared to go to \$15 million but is looking for a place to put some of it that will be more likely to get enacted and wanted to know if we have any ideas.

What is the attachment below? Is that FNS's original proposal?

J. Eric Gould 12/15/99 06:28:40 PM



● J. Eric Gould

12/15/99 06:28:40 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc: Eugenia Chough/OPD/EOP

Subject: FY01 food stamp outreach proposal

OMB included in passback \$7 million for nutritional education, of which not less than \$5 million is for educating food stamp eligibles not currently participating in the program -- including the working poor, welfare leavers, elderly, and ABAWD's of their ability to apply for food stamps.



fsoutrachfy01.doc

Enhancing Nutritional Security Through Education and Outreach
December 15, 1999 - DRAFT

The National initiative would enhance nutritional security for low-income Americans by implementing a nutrition outreach and education campaign. The outreach component would support 1) education about eligibility through materials development and a national campaign to assure that eligible food stamp recipients know of their eligibility in a culturally adequate and competent manner, 2) promotion of best practices in program information and applicant services through federally-sponsored publications and conferences, 3) grants to States and localities for community initiatives that partner welfare agencies and community organization to improve knowledge among special populations, such as the elderly, welfare leavers and the working poor who participate at a much lower rate than other FSP eligible populations. In addition, FNS would continue to enhance the FSP toll free number so that the Program can better serve its customers.

The nutrition education component would focus on increasing skills and knowledge about nutrition and food choices, food preparation, and food safety and resource management through an integrated, behavior-based, culturally appropriate curriculum. It will serve the general FSP population with concentration on the working poor and elderly.

An information campaign targeted to the FSP population with a special focus on the elderly and working poor, will increase nutritional adequacy of many low-income Americans. This broad initiative is particularly important in light of the success of welfare reform in moving many food stamp recipients into jobs. With long-term self-sufficiency the goal, access to and effective use of food stamp benefits is critical.

	2001	2002	2003	2004	2005	Total
Nutrition Education Outreach	\$15	\$15	\$15	\$15	\$15	\$75

Michael D

- Meet w/ having vouchers proposal (w/OMB)

Barbara Chew

Big Issues

- ① Fathers package
 - ④ work \$600 outlay / month?
 - ⑤ child support collection → + press through →
- ② Prisoners / re-entry
 - need some DoJ resources to be for non-youthful, non-first time
 - so it can work w/ DOT
- ② WtW \$200 long term → drop this too? \$200 leverage → John not interested
- ③ Legal imm - Meet w/ OMB
- ④ Food Stamps
 - cars at Govt foray
 - outreach (fr \$7 to \$15 mi)
 - elderly??
- ⑤ Disability (around 7-15)

Call w/ I/O w/ OMB

OMB wants total \$100 mi preschool \$30 daycare \$50

Cats + Dogs

- ① Ways to Work
 - FY 100 \$1 mi DOJ + \$1 mi DOT
 - agency amount more in 100
 - propose for '07? up to \$10 million?
- ② FF Outreach
 - increase from \$7 to \$15 million
 - letter from Cappe/Leyon
 - ? what do they think of elderly proposal?
- ③ IDAs for cars, technicals (w/ + Bob Grimes / NECT too)
- ④ Priority
 - ... for ...
 - ... unit

Dan M.

Big Issues

- ① FDA above \$34 mi?
 - B68 → small increase ab to cam
- ② Cooperation
 - ① Medicaid want FMAP ab requirement
 - ② VA →
 - ③ DOD →
 - ④ FEHBP

Cats + Dogs

- ① SAMSHA targeted capacity grants
 - add \$10 mi above product (to total \$139 mi) (got \$114 m 100)
 - coordinate w/ DOJ + DOT grants
 - [Barbara says John Podesta raised]

③ Price options

④ Legal imm

B draw 12/13

OMB Fathers

→ doesn't want to do just jobs

→ John - not LIFT - enough TMTF / other \$\$\$
- how well we get new \$\$\$

Child Support
Disability

- May want to do more in pay-for-s plan
needed for distribution + program

→ still want office to be a Bureau

→ open to make campaign ideas

→ want competitive grants @ \$20m.

Re-entry

Like idea of \$10m in targeted capacity grants
Herman didn't raise opposition
Understand our point

Will go from \$30 - \$50

would go to \$100 if lot \$\$\$

Legal Imm

will set up mtg

Food Stamps

Cars - at least do reg

** [Need to raise outreach \$\$\$]

Ways to work

- ch different

● J. Eric Gould

12/13/99 10:03:14 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

bcc:

Subject: Re: FS outreach \$\$ 

I'm not a big FORK fan - I think it's overly prescriptive but this is what it does:

Requires FNS to conduct annual on-site inspections of local food stamp offices in every state and authorizes appropriations for this purpose. (current FNS regulations require inspections but they can be desk audits which do not require annual visits.

Authorizes a demonstration project in which FNS works with state caseworkers to develop caseworker training materials and guidebooks to help state provide clearer information about fs to TANF recipients.

Authorizes a competitive grant program to be administered by USDA in consultation with HHS to develop local strategies for improving food stamp access and educating working families about their eligibility. These grants will go to food banks, schools, WIC clinics etc. (Part of determining the cost is how many of these grants will authorized)

Requires state TANF programs to provide clear info about fs eligibility to people being diverted from TANF and people exiting TANF.

Authorizes a tax credit for businesses who are designated as information partners by USDA because they contribute substantial goods or services to help expand the toll-free hotline.

Cynthia A. Rice



Cynthia A. Rice

12/13/99 09:48:24 AM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP

cc:

bcc:

Subject: Re: FS outreach \$\$ 

How does the FORK act work -- how does it provide outreach funds in a way that needs to be scored?

J. Eric Gould 12/13/99 09:38:58 AM



J. Eric Gould

12/13/99 09:38:58 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

bcc:

Subject: Re: FS outreach \$\$

They don't ask for a specific amount - CBO and JCT are scoring it. There rough estimate is \$20/ 5 years but Levin's staff admitted that she really doesn't know.

Cynthia A. Rice



Cynthia A. Rice

12/13/99 09:27:30 AM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP

cc:

Subject: FS outreach \$\$

I see Coyne, Levin et al don't ask for a specific amount for food stamp outreach. At what level was the funding in the FORK act?

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON SOCIAL SECURITY

Sander M. Levin
Congress of the United States

12th District, Michigan

December 10, 1999

WASHINGTON OFFICE:
2268 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4861
TOLL FREE: 1-888-810-3880

DISTRICT OFFICE:
ROOM 130
2107 E. 14 MILE ROAD
STERLING HEIGHTS, MI 48310
(810) 268-4444

The Honorable William Jefferson Clinton
President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear President Clinton:

We are writing to encourage you to include adequate funding for Food Stamp Outreach in your FY 2001 budget.

According to the General Accounting Office, participation in the Food Stamp program has declined by almost 30% over the last 3 years. At the same time, the Department of Agriculture Food Insecurity Study shows an increase in hunger among children in 1998. GAO noted that the number of poor children receiving Food Stamps is at its lowest point since 1989.

We commend your administration and Secretary Glickman for taking steps to improve Food Stamp education and reverse this alarming decline. However, we are concerned that inadequate funding could undermine this initiative. For example, the Food and Nutrition Service (FNS) currently does not have enough money to staff live operators on its toll-free hotline. They also do not appear to have sufficient staff to inspect all state Food Stamp programs each year, something that the GAO suggested could help reverse the declines.

We also believe FNS should solicit help from community organizations that serve low-income children and families. Almost 75% of working families that are eligible for the Food Stamp program but not enrolled do not know they're eligible. These families never go to welfare offices. We need to make contact with them where they do go — at schools, health clinics, and food pantries. We believe that a competitive grant program like the one in the Food Stamp Outreach and Research for Kids Act (FORK) would encourage community organizations to take an active role in FNS's education program and initiate outreach activities of their own.

Combating childhood hunger is necessary to meet our health and education goals, as well. Children who don't eat well get sick more often and don't come to school ready to learn. We urge you to make this investment in Food Stamp outreach, which will yield dividends on many fronts for years to come.

Sincerely,

William J. Coyne

Sander M. Levin

The Honorable William Jefferson Clinton
December 10, 1999
Page 2

Nick Rahall

Lane Evans

Ronald Wayne

Bernie Jura

Rosa L. J...

Pete Stark

John W. Olver

Sam ...

George Miller

Henry A. Waxman

Karen D. Thurman

Paul & Ken ...

Tommy Baldwin

Mike Doyle

**CENTER ON BUDGET
AND POLICY PRIORITIES**

820 First Street, NE, Suite 510
Washington, DC 20002
Telephone: 202/408-1080
Fax: 202/408-4888 or 408-1056

If there are any problems with the transmission of this document,
please call Betty Hitchcock 202/408-1080

Broadcast Fax**To:**

Gene Sperling	456-2878
Bill Dauster	456-2223
Carl Haacke	456-2223
Cynthia Rice	456-7431
Andrea Kane	456-7431
Janet Holtzblatt	622-0236

FROM:

Bob Greenstein

REGARDING:IDAs, Car Ownership, and Several Small Assets Issues
Related to IDAs and EITCs**DATE:**

December 10, 1999

NUMBER OF PAGES:
(including cover sheet)

3

Comments:



CENTER ON BUDGET AND POLICY PRIORITIES

To: Gene Sperling
Jason Furman
Bill Dauster
Carl Haacke
Cynthia Rice
Andrea Kane
Janet Holtzblatt

From: Bob Greenstein

Subject: IDAs, Car Ownership and Poor Families, and other Small Assets Issues Related to IDAs and EITCs

Date: December 10, 1999

I inadvertently left out of the initiatives memo I recently sent to some of you a few suggestions relating to IDAs and the EITC that should have no cost (or a cost that probably is too tiny to quantify) but that I would recommend your picking up and proposing.

IDAs and Cars

The Administration has been a strong proponent of IDAs. Families with IDAs can withdraw funds from these accounts to buy a home, but not to buy a car. This makes little sense and really should be changed.

The evidence continues to mount that having a car is important to securing and maintaining employment. Recent research by Sandra and Sheldon Danziger and their colleagues found lack of access to a car to be as large a barrier to employment among the welfare mothers they studied as lack of a high school diploma. Earlier research by John Kasasda found a strong correlation among inner-city minority males between whether or not the individual owned a car and whether or not he was employed.

Operators of some local IDA projects are objecting to what they regard as misguided rules that do not allow IDA withdrawals to be used to purchase or make major repairs on a car, despite the fact that such actions can be crucial to employment. Moreover, for many of these families, car ownership makes more sense than homeownership, since the families may be able to use an IDA withdrawal to help make a down payment on a home but then be unable to meet the monthly carrying costs.

I would imagine that this change, which the Progressive Policy Institute also supports (and Michael Sherraden agrees with) would have no cost.

IDAs and Assets Limits in Means-Tested Programs

Due to technical problems with the drafting of the Assets to Independence Act, money that a family deposits in an IDA funded under that Act (as well as the interest accruing on such deposits) counts as an asset against the asset limits in food stamps and various other means-tested programs. This treatment conflicts with the treatment of IDAs supported with TANF funds; all funds in those accounts are excluded from assets tests in means-tested programs.

Counting funds in IDAs against these other programs — and potentially causing a working poor family eventually to lose food stamps or Medicaid as a result — defeats the asset-building purposes that IDAs are designed to promote. The language of the Assets to Independence Act should be tweaked so that the major means-tested programs treat the funds in IDA accounts that are supported under that Act in the same manner as these programs treat funds in IDAs supported through TANF.

EITCs and Assets Limits in Means-Tested Programs

The EITC is exempt from being counted as an asset in SSI and Medicaid only in the month of receipt and the following month. By contrast, under the Food Stamp Act, the EITC is exempt from being counted as an asset for 12 months after receipt.

The rule applying to Medicaid and SSI makes little sense; it requires families receiving a large EITC to spend it fast to avoid losing Medicaid coverage. Moreover, if Medicaid coverage for working poor parents is expanded, as the Administration apparently is considering proposing, this could become more of a problem.

The food stamp treatment is much more sensible. Consequently, our recommendation is to change the period for which the EITC is excluded from assets tests under the other major means-tested programs from one month to 12 months and thereby to conform the asset treatment of EITC benefits in the Medicaid and SSI programs to the treatment under the food stamp program. This can be done by modifying section 32(k) of the EITC statute to extend to 12 months the length of time for which the EITC is disregarded from assets tests and to include Medicaid and SSI under this provision.

Cost

The IDAs/cars proposal should have no cost. The cost of the other two proposals should be an asterisk — too small to find (essentially a zero). These proposals would improve IDA operations in the future and enable families to make more rational choices about what to do with their EITCs.

THE WHITE HOUSE

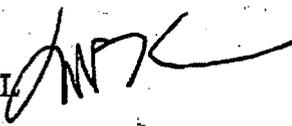
WASHINGTON

December 10, 1999

MEMORANDUM FOR JOHN PODESTA

MARIA ECHAVESTE
STEVE RICCHETTI
DOUG SOSNIK
GENE SPERLING
BRUCE REED
JACK LEW
SYLVIA MATHEWS
LORETTA UCELLI
TERRY EDMONDS

FROM:

MARY BETH CAHILL 

SUBJECT:

OPL State of the Union Outreach

With the President's upcoming State of the Union, January 27, 2000, OPL conducted a series of conference calls and meetings with the various constituencies to solicit their ideas. Outlined below are suggested ideas and themes from our outreach efforts.

Agriculture

- **Freedom to Farm Act.** The largest issue facing the agriculture community is the re-writing, reforming or abolishing the Freedom to Farm Act. The Administration should work to establish an alternative to Freedom to Farm and among other things an adequate safety net for farmers (i.e. increased funding for export programs, increased price supports for dairy products, etc.). The Administration should ensure farmers receive adequate coverage.

Civil Rights

- **Hate Crimes.** The Administration should continue to support and promote hate crimes legislation and enforcement. It is critical that the President continues to provide strong leadership and call on Congress to pass legislation. (i.e. Sen. Kennedy's Hate Crimes Prevention Act that would expand current law to include bias crimes based on gender, sexual orientation and disability). Inclusion of gender and disability in the Hate Crimes Statistics Act is key to this legislation.
- **Police Accountability and Racial Profiling.** The Administration should continue to support police accountability and racial Profiling Initiatives. Specifically the President should urge Congress to support H.R. 1443 - Traffic Stops Statistics Study Act (Driving while Black).
- **ENDA.** In 1999, the President asked Congress to "make the Employment and Non-Discrimination Act . . . the law of the land," he should continue to use the same rhetoric.

- **Census 2000.** The President should raise the importance of assuring that all communities are accurately counted in the upcoming Census 2000.
- **Renewing Democracy and Civic Engagement.** In the last several years the Asian Pacific American (APA) community has felt disenfranchised from the democratic process. The APA Community feels that it is very important for the President to make a statement on the importance of participation of all segments of society in the democratic process. In this context they also raised the need to reduce the backlog and time that it takes to become a citizen. The community would like to see the President recognize a prominent Asian Pacific American elected official such as Gov. Gary Locke (D-WA) to demonstrate that Asian Pacific Americans are welcome and can be successful in government and elective politics.

Education

- **Violence in schools.** The President should call for a bi-partisan effort to identify programs such as his mentoring program, youth safe havens and other programs with continued commitment to inner cities/urban areas as the New Markets Initiative is promoting. Organizations also raised the growing concerns of parents and children's fears about going to school.
- **Core Education Programs.** The President should emphasize the need to help all children achieve academic success and addressing the needs of a diverse student body – no child should be left behind. This should include a focus on core federal education programs such as HEAP, Title I, and other specialized programs such as bilingual education or special education. There is a strong sense that this Administration has not committed enough resources to core programs, and the constituencies would like to see increases in these programs.
- **Historically Black Colleges and Universities.** Organizations would like to see the President and the Administration support a program for more federal funding from DOD, CIA, NSA, DIA, and other agencies to Historically Black Colleges and Universities (HBCU's) doctoral education programs in the science and technology field.

Health Care

- **Strengthen Medicare and Social Security.** The President should restate his commitment to strengthening Medicare and Social Security. It is important that he notes the importance of these programs for America's mothers and grandmothers. He should restate his commitment to lifting older women, who live alone, out of poverty. "It is our duty in these strong economic times to lift those less fortunate, such as older women living alone."
- **Social Security Reform.** Women organizations would like the Administration to support reforms in Social Security that:
 - Include an increase in the widow's benefit to 75% of the couple's joint benefit, up from the present 50%;
 - Ensure that widows are not penalized by their husband's decision to retire early;
 - Increase divorced women's spousal benefit to 75%;

- Provide a family service credit to the lower earner (or single parent), for the years that children are under 6, at a maximum value up to \$5,000; and
- Protect women from lower SS benefits by providing two "drop out" years for each child to the lower earner (or single parent) that would not count against their lifetime average.
- **Older Americans Act Reauthorization.** The Older Americans Act has not been reauthorized since 1994 when the Republicans came into Congress. Early in 2000, the President should call for the convening of a meeting with key congressional players on the Act as a sign of visible support.

International/Trade

- **HIV/AIDS in Africa.** The President should provide an update on the \$100 Million commitment to combat HIV/AIDS in Africa. He should also mention support for the AIDS Marshall Plan for Africa.
- **AGOA/CBI Bill.** If the AGOA/CBI Bill is passed (gets out of conference) by the time of the State of the Union he should mention the Administration's continued efforts and support for CBI and Africa Trade.
- **Third World Debt.** The Administrations should continue to help with the reduction of poverty and economic reform in Third World countries. The government should help to build capacity of non-profits for the reduction of Third World Debt.
- **Northern Ireland.** The President should highlight the Administration's hard work in ensuring the success of the Northern Ireland peace process. Organizations stressed that continued engagement is critical. In order to ensure the success of decommissioning, establishment of adequate and equitable policing and skills training for individuals leaving prison is necessary (as laid out in the Good Friday Agreement).
- **International Family Planning.** The President should mention the Administration's rejection of legislation that contains restrictions such as the Mexico City legislation. Additionally, the President should mention that funding for the United Nations Population Fund (UNFPA) should be continued.

Women Issues

- **Fair Pay/Wage Gap.** The President should reaffirm his endorsement of the Paycheck Fairness Act, which he announced last year, and urge Congress to work to strengthen wage discrimination laws and address the persistent wage gap between the earnings of men and women.
- **Domestic Violence.** The President should announce the Administration's support for the reauthorization of the Violence Against Women Act (VAWA).
- **Childcare.** The President should discuss the importance of proper funding of Childcare initiatives and the need to adequately compensate Childcare workers. Additionally, he should reaffirm the Administration's support to increase early childhood learning, healthy and safe care centers and programs that continue through the school years. Specifically,

12/11/88 0A1 06:22 FAA 2000

increase funding for the Child Care and Development Block Grant and improve access to childcare for impoverished women through legislation such as the Welfare Tracking Act (H.R.3150).

- **NIH.** Organizations are concerned that funding for women's health research supported by the NIH is not keeping pace. The President should state his support of doubling the funding for the National Institutes of Health by the year 2003 and that we should have an expanded concept of women's health research - from prenatal development to the frail and elderly.
- **Women in Business.** To meet the Federal Government's 5% procurement goal for women-owned businesses, organizations would like the Administration's commitment to a more concerted government-wide, interagency initiative to meet this goal and to hold those agencies that do not meet the goal accountable.

Veterans

- **Filipino Veterans.** A major issue for veterans is the continuing support for benefits for Filipino Veterans who fought with the U.S. military during World War II. The Asian-American community would like to see the President's budget include funding for benefits, particularly health benefits and would like to see the President mention the Filipino Veterans in the context of Veterans issues, or in the context of the contributions of Asian Pacific Americans to the United States.

EIML Settlement Tracking - Large Agencies
(in millions)

Department of Education	2000 Enacted	Agency Request	Passback
Department of Education - Total Funding			
BA	35,703.235	41,488.838	35,703.235
Outlays	31,727.355	38,025.524	35,295.135

Possible Appeals**After School**

BA	453.710	1,000.000	525.000
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Community-Based Technology Centers

BA	32.500	65.000	32.500
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Title I Grants to States

BA	7,941.397	8,800.000	8,141.397
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Comprehensive School Reform Demos

BA	170.000	200.000	170.000
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HEP/CAMP

BA	22.000	24.000	22.000
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Class Size

BA	1,300.000	1,700.000	1,500.000
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Impact Aid

BA	910.500	914.171	729.710
----	---------	---------	---------

Teaching to High Standards

BA	826.000	1,700.000	503.000
----	---------	-----------	---------

Safe and Drug Free Schools

Department of Education		<u>2000 Enacted</u>	<u>Agency Request</u>	<u>Passback</u>
	BA	605.750	691.000	605.750
America Reads	BA	260.000	386.000	286.000
Indian Education	BA	77.000	91.735	77.000
Bilingual Education Instructional Services	BA	162.500	180.000	162.500
Special Education	BA	6,036.646	6,676.325	6,036.646
Vocational Education	BA	1,055.650	1,200.000	830.650
Adult Education State Grants	BA	450.000	515.000	450.000
Adult Education National Activities	BA	14.000	101.000	39.000
<i>Pell Grants Max Award (non-add)</i>		<i>\$3,300</i>	<i>\$3,525</i>	<i>\$3,350</i>
Pell Grants	BA	7,700.000	8,715.000	8,180.000
Pell Surplus	BA	238.000		
Strengthening HBCUs	BA	148.750	160.000	148.750
Developing HSIs	BA	42.250	50.000	42.250

Department of Education		<u>2000 Enacted</u>	<u>Agency Request</u>	<u>Passback</u>
GEAR UP				
	BA	200.000	360.000	240.000
Teacher Quality and Recruitment				
	BA	98.000	200.000	98.000
ED Research and Dissemination				
	BA	168.567	250.000	168.567
<u>New Initiatives</u>				
High School Reform				
	BA	45.000	125.000	125.000
Strengthening TA Capacity Grants				
	BA	28.000	60.000	28.000
Total of above		28,986.220	34,164.231	29,141.720
Other ED Programs				
	BA	6,717.015	7,324.607	6,561.515
TOTAL		35,703.235	41,488.838	35,703.235

EIML Settlement Tracking - Large Agencies
(in millions)

Department of Labor	2000 Enacted	Agency Request	Passback
	11,256	13,361	11,529
Possible appeals to Passback			
Universal Re-employment	1,716	2,230	1,851
Dislocated workers	1,596	1,786	1,721
Re-employment services	0	125	35
One-stops	120	319	95
Youth strategy total	1,001	1,551	1,071
Formula grants	1,001	1,251	1,001
Youth violence	0	100	40
Youth offenders	0	200	30
Adult strategy total	950	1,405	900
Formula grants	950	1,055	900
Incumbent workers	0	100	0
Welfare-to-Work	0	250	0
Office of Disability Policy	10	140	10
Labor law enforcement agencies	1,117	1,327	1,184
Information Technology	0	89	60
Homeless veterans	10	15	10
Alien labor certification	49	35	27
ILAB	70	113	77
Office of Inspector General	52	64	55
Miscellaneous training	80	119	72
Technical appeals (pricing)	0	0	0
Other Salaries & Expenses	0	0	0
Total, DOL	5,055	7,088	5,317
	BA		
	OL		

Independent Agencies		<u>Enacted</u>	<u>Request</u>	<u>Passback</u>
National Labor Relations Board		206	216	210
Corporation for National and Community Service		734	1,064	734
Federal Election Committee		38	41	40
Total, Independent	BA OL	978	1,321	984

I/01bud/EIML settlement tracking (Excel)

EIML Settlement Tracking - Large Agencies
(in millions)

Department of Agriculture

Enacted Request Passback

Food and Nutrition Service		4365	4696	4614
		4377	4678	4609

Possible appeals

Nutrition Program for the Elderly	BA	140	153	145
	OL	140	150	144

Nutrition Education and Training	BA	0	2	0
	OL	0	1	0

EIML Settlement Tracking - Large Agencies
 (in millions)

HHS		<u>2000 Enacted</u>	<u>Agency Request</u>	<u>Passback</u>
Administration on Aging - Total Fundin	BA	934	1,223	1,080
	O	893	1,117	1,012

Possible appeals

Support Services	BA	310	350	310
	O	306	341	310
Congregate Meals	BA	374	423	374
	O	374	417	374
Vulnerable Older Americans	BA	13	41	13
	O	12	28	13
Fed. Admin.	BA	17	21	17
	O	16	20	17
Other AoA Programs	BA	220	388	365

I/01bud/EIML settlement tracking (Excel)

EIML Settlement Tracking - Large Agencies
(in millions)

HHS		<u>2000 Enacted</u>	<u>Agency Request</u>	<u>Passback</u>
Administration for Children and Families – Total Funding				
	BA	9,556*	10,400*	10,146*
	O	9,003	9,791	9,701
Possible appeals				
Head Start				
	BA	5,267*	6,150	5,901*
	O	4,859	5,551	5,458
Federal Administration				
	BA	148	172	160
	O	147	168	158
CSBG, Discretionary Activities (NIP, JOLI)				
	BA	5.5	37.5	0
		0.8	5.6	0
All other, ACF Services				
	BA	1,296	1,208	1,238
Refugee and Entrant Assistance				
<i>base appropriation</i>	BA	427	447	431
<i>carry-over</i>	BA	12	[15]	[15]

*Includes Head Start advance appropriation of \$1.4 billion.

I/01bud/EIML settlement tracking – SSA (Excel)

EIML Settlement Tracking - Social Security Administration
(In millions)

Social Security Administration	<u>2000 Enacted</u>	<u>Agency Request</u>	<u>Passback</u>
Total Funding	6656	7459	7083
<hr/>			
Ongoing Operations			
BA	6192	6866	6449
OL	6180	6835	6415
Continuing Disability Reviews			
BA	405	450	450
OL	400	446	446

Tobacco Budget Ideas

11/24/99 DRAFT

There are several proposals we could make, some of which are similar to those in last year's budget, that would focus on protecting children from tobacco.

1. **Price Increase:** There are several ways we could repackage tax proposals from FY2000:

Option 1A: A 55 cents per-pack increase to be collected through tobacco excise taxes. This option should raise about \$6.4 billion a year.

Option 1B: A per-pack excise tax triggered by youth smoking rates. An increase in the per-pack excise tax would be triggered by missing the target rates for each year. The determination of the excise tax increase would depend on the level that the target rate was missed.

Calendar Year After Date of Enactment	Required Percentage as a Percentage of Base Incidence Percentage in Underage Cigarette Use*
Years 3 and 4	15 percent
Years 5 and 6	30 percent
Years 7, 8 and 9	50 percent
Year 10 and thereafter	60 percent

* These targets are the same as those contained in the McCain bill.

Option 1C: Combine elements of Options 1A and 1B so that a per-pack excise tax exists for the first two years and is thereafter determined by youth smoking rates.

Option 2: Acceleration of the BBA's 15 cents excise tax. The 1997 Balanced Budget Agreement (BBA) raised the excise tax 10 cents per-pack effective January 1, 2000 and another 5 cents effective January 1, 2002, for a cumulative 15 cent increase. The FY 2001 budget could accelerate the effective date of the additional 5 cents, raising several hundred million dollars.

We may wish to consider packaging a tax increase with a particular spending proposal, such as Medicare prescription drugs.

2. **State Lookback:** Although state officials said the purpose of the \$246 billion state settlements with the tobacco industry was to reduce youth smoking, few states are investing settlement funds in programs to prevent youth tobacco use. This proposal would ensure that if the provisions of the state settlement (45 cent price increase, some limitations on marketing and promotion of tobacco products, and funding for a national foundation to reduce youth smoking) do not actually reduce youth smoking, then states would spend settlement funds on

youth smoking prevention programs. The spending provisions would be triggered if the following youth smoking reduction targets were not met:

Calendar Year After Date of Enactment	Required Percentage as a Percentage of Base Incidence Percentage in Underage Cigarette Use*
Years 3 and 4	15 percent
Years 5 and 6	30 percent
Years 7, 8 and 9	50 percent
Year 10 and thereafter	60 percent

* These targets are the same as those contained in the McCain bill.

Specific funding requirements would be based on CDC recommendations, which vary by state based on state characteristics, such as demographic factors, tobacco use prevalence, and other factors. CDC's recommendations range from \$7 to \$20 per capita in smaller states (population under 3 million), \$6 to \$17 per capita in medium-sized States (population 3 to 7 million), and \$5 to \$16 per capita in larger States (population over 7 million).

A penalty could be structured that would require States that miss the above youth smoking targets to invest additional funding into youth tobacco prevention activities. The greater the percentage rate states miss the targets by the more they would have to invest in prevention activities based on CDC's recommended investment guidelines for the State.

Tobacco prevention could be defined as evidence-based efforts to reduce tobacco, particularly among youth, including: 1) tobacco prevention and control activities at the school, community, and state levels; 2) enforcement of tobacco control laws and regulations; 3) public education programs, including the use of mass media; 4) cessation services consistent with AHCPR guidelines and cessation treatments approved by the FDA; 5) surveillance and evaluation programs to provide accountability.

3. **Support Critical Public Health Efforts to Prevent Youth Smoking:** We should support continued funding of tobacco prevention programs at CDC and FDA, and include an increase if possible.

a) **CDC Funding:** Overall, HHS is requesting \$131 million for CDC in FY 2001 for tobacco prevention efforts, \$30 million over FY 2000 levels. This proposal would continue at current levels (101 million) the National Tobacco Control Program, providing funds for states to prevent initiation among youth, eliminate exposure to ETS, promote quitting among adults and youth, and eliminate disparities among population groups.

EG to ask about purchase

The additional \$30 million requested would fund a Foundation for the New Millennium of Tobacco Use Prevention and Control. CDC would expand efforts to coordinate a national approach by:

- Providing federal leadership -- \$22.3 million for cooperative agreement support for the state National Tobacco Control Program, technical assistance, communication and education support to states, schools and communities.
- Strengthening tobacco use science for public health action -- \$6.3 million for data collection and evaluation and community prevention research.
- Working with partners to create global tobacco programs -- \$1.4 million to support global tobacco control efforts, TA, oversight, coordination of international data, and partnerships with multilateral organizations.

b) **FDA Funding:** HHS is requesting \$88 million (\$20 million over FY2000 request and \$54 million over FY2000 funding) to expand youth anti-smoking outreach and enforcement activities in all states.

- Enforcement and evaluation – Expand retailer inspections from 400,000 in FY 2000 to 540,000 retailers. Fund retailer information kits and newsletters explaining underage purchasing prohibitions. Complete national retailer database tracking results.
- Monitor compliance with rules such as advertising outside the proximity of schools and playgrounds, black and white text only ads, and elimination of vending machines except in adult-only places (if these provisions are put in place, pending Supreme Court review).
- Product regulation – FDA may need to develop performance standards for cigarettes and smokeless tobacco products, classify products, and inspect industry practices.

4. **Fund the Department of Justice Tobacco Litigation.** The Department of Justice has initiated litigation against the tobacco industry to recover certain federal health expenditures caused by tobacco use.

*EG
What is in product?*

Option 1A: The FY2001 budget could propose \$20 million for the Department of Justice to finance costs incurred in preparing and bringing litigation against the tobacco companies for tobacco-related Federal health costs. This would be the same unsuccessful strategy employed in the FY2000 budget.

Option 1B: Include the shared costs of the litigation within the requests for HHS, DoD and VA since the suit is intended to recover the smoking related costs incurred by the Federal government, of which these three departments experienced substantial costs.

5. **Cessation Coverage.** Currently, smoking cessation prescription and non-prescription drugs are optional state Medicaid benefits that are matched by the Federal government at the individual states FMAP rate (which on average is 57 percent). Our understanding is that 27 States provide Medicaid coverage for FDA approved smoking cessation products. There are

a number of options we could propose to expand the coverage of smoking cessation products for Medicaid and other Federal programs:

Option 1A: Mandate coverage of prescription/nonprescription smoking cessation products and reimburse at FMAP. In 1998, HCFA estimated that the Federal costs of this provision would be about \$114 over 5 years.

Option 1B: Create an enhanced FMAP rate for cessation services. For example, the Hansen-Meehan bill proposed a 90 percent Federal match rate for State costs of providing cessation programs. This enhanced match would theoretically offer States the incentive to cover these services.

Option 1C: Require States to provide cessation programs and reduce the match rate based on the fact that states should be investing part of their tobacco settlements into prevention and cessation assistance.

Option 2: Require DoD to provide effective cessation programs and reintroduce the proposal in last year's budget for VA to fund cessation programs for Veterans.

Option 3: Require, through a directive this Spring, the Federal Employees Health Benefits Program to provide a more generous cessation benefit.

Of course, any model of Option 1 can be combined with Option 2 and/or 3.

6. **Farmers:** These are two proposals that would allow us to maintain our commitment to ensure the well-being of tobacco farmers, their families and their communities.

EG - what is in package
a) **Compensating Tobacco Farmers:** The Agricultural Appropriations bill for FY 2000 directs the Secretary of Agriculture to use \$328 million in funds from the Commodity Credit Corporation to provide payments to compensate flue-cured and burley tobacco farmers that had their quotas reduced in 1999. We could propose an additional \$328 million in FY 2001 for farmers facing quota reduction in 2000.

EG - Call Jan Berman
b) **Preferable Tax Treatment of Payments to Tobacco Farmers:** Proposals supported by Sen. Robb and Rep. Boucher would exclude from gross income payments made by the tobacco industry to tobacco farmers as part of last year's settlement (The \$5 billion in payments are to be paid out over the next 12 years). We have asked Treasury for their comments and revenue estimates.

Andrea Kane

12/09/99 06:26:26 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Substance abuse pass-back

Here's the scoop on passback on substance abuse grants:

	<u>FY '00</u>	<u>FY 01:</u>	<u>OMB pass-back</u>	<u>Increase from '00</u>	
		<u>HHS request</u>			
Block Grant	\$1.6B	\$1.715B	\$1.625B		\$25M
Targeted Capacity Expansion Grants*	\$114M	\$187M	\$129M	\$15M	

* These grants are for treatment.

There are additional targeted capacity grants for prevention:

	\$83 M	\$128M	\$89M	\$6M	
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The information SAMHSA has provided on appeal does not contain enough detail to know how much they're appealing for these specific programs. OMB has requested more detail.

OMB also says one of the reasons these increases are relatively small was to accomodate greater increases for mental health within SAMHSA.

Based on our conversation in staff meeting, it sounds like we'd want to ask OMB to give SAMHSA some additional funding. Leanne or Deanne, do you know what ONDCP is pushing for? Any ideas on how much more we might want? Paul says intergovernmental groups identified drug funds among their top priorities but couldn't provide any details on which kind and how much. I'll follow up with IGA, but if anyone else has heard anything, pass it along.

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Revised Welfare to Work Idea

12/7/99

Short Version

Propose \$500 million in FY 2001, with \$500 million in out-years, for Welfare-to-Work competitive grants. These grants could fund projects in three key areas important to sustaining the success of welfare reform: 1) to help the hardest to employ move from welfare to work and succeed in the work force; 2) to help low income fathers work, pay child support, and reconnect with their children; and 3) to increase job retention, skills upgrading and supports (including outreach on food stamps, Medicaid, child care, and EITC) for low-income working families, including those who have left welfare, through local one-stop employment centers.

Long Version

Propose \$500 million in FY 2001, with \$500 million in out-years, for Welfare-to-Work competitive grants. These funds could address three key issues related to sustaining the success of welfare reform:

1) \$250 million for innovative local projects in communities that need the most help to move the hardest to employ from welfare to work and succeeding in the workforce. This would honor the original intent of the Welfare-to-Work program, by focusing on the hardest to employ and getting the funds directly to locals. Within this amount, formula grants for tribes could be continued at current level of \$15 M or increased to \$30 M as proposed in FY 2000.

2) \$150 million for responsible fatherhood initiatives that help low income fathers work, pay child support, and reconnect with their children. This is consistent with the President's strong emphasis on fathers in our FY 2000 WtW reauthorization and positions us to engage with the Hill as we expect Fatherhood bills to gain momentum next year.

3) \$100 million to increase job retention, skills upgrading and supports (including outreach on food stamps, Medicaid, child care, and EITC) for low-income working families, including those who have left welfare through local one-stop centers. This would build on the Workforce Investment Act and help address the issues of the non-welfare working poor. We are also exploring ways to increase access to employment services for individuals with disabilities through this proposal.

NOTE: OMB staff is currently proposing a total of \$750 million for FY '01, all dedicated to the third category, but are also receptive to competitive grants in the other two areas. We're waiting for them to finish Director's review today to find out where they're ending up.



Cynthia A. Rice

12/01/99 08:33:23 PM

Record Type: Record

To:

cc:

Subject: PRINT THIS revision to '01 budget ideas memo

----- Forwarded by Cynthia A. Rice/OPD/EOP on 12/01/99 08:33 PM -----

Andrea Kane

12/01/99 12:57:20 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: revision to '01 budget ideas memo

Based on info Amy provided on the marriage stats, I'd replace the 2nd graph of 3d) in the 11/24 memo to BR/EL with the following. I'm sending you a hard copy of the info from HHS (which is what they'd shared earlier but I'd misplaced):

Something not proposed by the VP which we could add is funding for National Center for Health Statistics to improve data on marriage and divorce. In the past several years they have stopped collecting detailed information from states due to budgetary pressures and concerns about the quality of the data. This has received a surprising amount of press attention, some have used this to criticize the Administration for being 'weak on marriage', and House W&M staff have expressed interest in restoring funding. We could either wait for them to do so, or pre-empt them with a modest funding proposal. HHS' very preliminary estimates show it would cost about \$750,000 in the first year to assess states' ability to report these data, with annual costs of \$7 - \$10 million to implement a high quality reporting system.