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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Bruce Reed and Chris Jennings to the President re: legislation (2 pages)	06/22/1998	P5 4180
002. memo	Bruce Reed et al to the President re: Reforms that Prepare Medicare for the Retirement of the Baby Boom Generation (9 pages)	12/13/1997	P5 4181
003. memo	Bruce Reed et al to the President re: Reforms that Prepare Medicare for the Retirement of the Baby Boom Generation (9 pages)	12/13/1997	P5 Dup 002
004. paper	re: overview of proposals (13 pages)	n.d.	P5

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Cathy Mays
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FOLDER TITLE:

Correspondence and Memos for the President [Binder] [6]

Racheal Carter
2011-0005-S
rc641

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]
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THE WHITE HOUSE

WASHINGTON

June 22, 1998

6-23-98

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Reed
Jennings
COS

MEMORANDUM TO THE PRESIDENT

FROM: Bruce Reed
Chris Jennings

RE: Legislation to require health plan coverage of contraceptives

Later this week, an appropriations bill may come to the floor with an amendment that would require contraceptive coverage by all plans participating in the Federal Employee Health Benefits Plan. This amendment was sponsored by Congressman Lowey and passed by the House Appropriations Committee last week by a vote of 28 to 26. At the same time, Senator Snowe is considering introducing on the Senate floor a bill that would require this coverage by all health plans. For the reasons that follow, your advisors (DPC, Women's Office, Communications, OMB) generally agree that we should support the Lowey amendment, but be silent on -- or, if pushed take a "do not support" position on -- the Snowe bill.

Most health plans cover at least some kind of prescription contraceptives. An estimated 93 percent of HMOs cover at least one prescription contraceptive, and about 40 percent cover all five of the most commonly used methods: the pill, diaphragm, IUDs, Norplant and Depo-Provera. The plans that participate in FEHBP are fairly representative of most plans: 90 percent cover some type of contraception and about 20 percent cover all five methods.

The benefits of contraceptive coverage are clear. Approximately 60 percent of all pregnancies in the U.S. are unintended, and these pregnancies surely result in many unnecessary abortions. In addition, the cost of requiring plans to cover prescription contraceptives may be negligible. CBO, when assessing the Lowey amendment, found that the cost of the coverage would be fully offset by the reduction in the cost of childbirth.

These pieces of legislation nonetheless raise two difficult issues. First, the health policy community usually opposes mandating particular benefits for fear that coverage decisions will become political rather than substantive and, in most cases, will add to the cost of health insurance. We generally agree with the policy community on this point, and worry that if we go down this road any further, we will find it difficult to oppose benefits mandates that are politically popular but poor policy. Second, Republicans would almost inevitably charge that this mandate -- especially if extended to all health plans, rather than only those in the FEHBP -- is reminiscent of the "micromanagement benefit design approach" taken in the Health Security Act. But some argue, in response, that a governmental role is more warranted for this benefit than for most others, because of concerns about gender discrimination in health decisions.

6-23-98.

Taking these concerns into account, your advisors recommend that we support the Lowey amendment but remain silent (or, if pushed, take a "do not support" position) on the Snowe bill. While these positions may appear contradictory, we believe that we can distinguish between them. We would be saying that contraception is an important benefit that all plans should cover, but that the best way to promote such coverage is through making FEHBP a model, rather than imposing a private mandate. Of course, this stance will make it harder for us to reject other coverage requirements on FEHBP plans in the future, but because we often make coverage decisions for Federal programs, this precedent is not as troublesome as it would be in the private arena. And while this stance will not fully satisfy the women's groups (who would also like us to endorse Snowe), we will be supporting the proposal with the greater likelihood of success.

We therefore recommend that you support a contraceptive coverage requirement for FEHBP plans, but not a mandate for private sector plans. We also all agree -- and think that Lowey will as well -- that it is necessary to have a conscience exception to this requirement so that Catholic health plans can participate in FEHBP. If you agree with our recommendation, we propose that HHS and OPM, rather than the White House, convey this policy position to Congress.

Agree ✓

Disagree ____

Let's Discuss ____

remain silent on Snowe for now - do not do "do not support" on Snowe — Am not sure

THE WHITE HOUSE

WASHINGTON

December 13, 1997

Copied
Reed
Sperling
Jennings
Bowles

MEMORANDUM TO THE PRESIDENT

12-29-97

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

SUBJECT: Reforms that Prepare Medicare for the Retirement of the Baby Boom Generation

The Balanced Budget Act (BBA) that you enacted took necessary steps to modernize the Medicare program and prepare it for the twenty-first century. It extended the life of the Trust Fund to 2010, invested in preventive benefits, provided more choice of plans for beneficiaries, strengthened our ongoing fraud activities, and lowered cost growth to slightly below the private sector rate through provider payment reforms and modest beneficiary payment increases. However, the BBA's policies were not intended to solve Medicare's long-term problems.

The Medicare Commission was established to address the demographic challenges posed by the retirement of the baby boom generation. The question is whether we should take action prior to the March 1999 Commission deadline to further strengthen the program and lay the groundwork for implementation of likely Commission recommendations.

The NEC and DPC have led an interagency examination of several policy options. This memo examines options to insure pre-65 year olds, to extend Medicare coverage of patient care costs associated with clinical trials, and to increase private long-term care insurance. Financing options to pay for these proposals follow this description.

Your advisors have differing views on whether to pursue any new proposals while the Medicare Commission is active and which proposals to pursue if you choose to do so. OMB and to some extent Treasury have concerns about a pre-65 option, because it may open the door to subsidies for a costly population and have the unintended effect of reducing employer coverage. Both OMB and Treasury oppose the clinical cancer trials proposal because it could set a precedent for every other disease group to ask for the same treatment.

Should only be avail at 55 to retirees [illegible] and maybe self-employ

Should you decide to pursue all of the options, traditional Medicare savings alone may not be sufficient to offset the costs and a Medicare income-related premium may be necessary. Such a premium will be politically contentious, although possibly more acceptable to our Democratic base if linked to a benefit expansion. Given the complexity of any decision to adopt an income-related premium, we outline here some of the issues, but defer a recommendation until we can meet with you on the subject.

A. PRE-65 HEALTH INSURANCE OPTIONS

Although people between 55 and 65 years old are more likely to have health insurance than others, they often face greater problems with access to affordable health insurance, especially when they are sick. Individuals in this age group are at greater risk of having health problems, with twice the probability of experiencing heart disease, strokes, and cancer as people ages 45 to 54. Yet their access to affordable employer coverage is often lower because of work and family transitions. Work transitions increase as people approach 65, with many retiring and shifting to part-time work or self-employment as a bridge to retirement. Some of this transition is involuntary. Nearly half of people 55 to 65 years old who lose their jobs when firms downsize or close do not get re-employed. At the same time, family transitions reduce access to employer-based health insurance, as individuals are widowed or divorced, or as their spouses become eligible for Medicare and retire.

As a result, the pre-65 year olds, more than any other age group, rely upon the individual health insurance market. Because their costs are not averaged with younger people's (as in employer-based insurance), the pre-65 year olds often face relatively high premiums and may face exorbitant premiums if they are sick. While the Kassebaum-Kennedy legislation improved access for people with pre-existing conditions, it did not restrict costs.

These access problems will increase because of two trends: the decline in retiree health coverage and the aging of the baby boom generation. Recently, firms have cut back on offering pre-65 retirees health coverage; in 1984, 67 percent of large and mid-sized firms offered retiree insurance but in 1997, only 37 percent did (although this decline may be slowing). In addition, in several small but notable cases (e.g., General Motors and Pabst Brewery), retirees' health benefits were dropped unilaterally, despite the firm's prior commitment. These "broken promise" retirees do not have access to COBRA continuation coverage and could have difficulty finding affordable individual insurance. An even more important trend is demographic. The number of people 55 to 65 years old will increase from 22 to 30 million by 2005 and to 35 million by 2010. Assuming current rates of uninsurance, this trend could raise the number of uninsured in this age group from 3 million today to 4 million by 2005, without even taking into account the decline in retiree health coverage.

The last reason for considering the coverage issues of this age group is the likelihood of proposals to raise Medicare eligibility age to 67, consistent with Social Security. The experience with covering a pre-65 age group now will teach us valuable lessons if we need to develop policy options for the 65 to 67 year olds.

Policy Questions

Two central questions determine the policy options for the pre-65 year olds: what is the target population, and what is the best way to cover these people.

THE PRESIDENT HAS SEEN
12-29-97

Whom to Target. As with any incremental reform, targeting is essential to reduce the chance that the policy unintentionally offsets or reduces employer health coverage. While this policy will not affect employers' decisions to offer coverage to their current workers, it may affect employers' decisions to cover retirees, as well as employees' decisions to retire early. To protect against substitution, your advisors recommend limiting eligibility to a subset of the pre-65 year olds. There are two ways to limit eligibility.

The first approach is to limit eligibility to people ages 62 to 65. The 6 million people ages 62 to 65 work less than to people ages 55 to 59 (48 percent versus 74 percent), are more likely to have fair to poor health (26 versus 20 percent), and are more likely to be uninsured or buy individual insurance (28 versus 21 percent). In addition, 62 is the age at which Social Security benefits can be accessed. Within this 6 million, we could limit eligibility to the 2 million without access to employer or public insurance, and require that they exhaust COBRA coverage. These steps should reduce the likelihood that the policy will lead individuals to retire or drop retiree coverage.

A second approach is to limit eligibility within a broader age group — e.g., 55 to 65 year olds — to individuals who lack access to employer-based insurance for particular reasons: (1) Displaced workers: About 60,000 people ages 55 to 65 lost their employer insurance when they lost their job because a firm closed, downsized, or eliminated their position. (2) Medicare spouses: As many as 420,000 people lost employer-based family coverage when their spouses (almost all husbands) turned 65 and retired. This number could grow if employers drop retirees' dependent coverage for these spouses as a result of this policy. (3) "Broken promise" people: A small but visible and vulnerable group is the pre-65 retirees who lost retiree health coverage due to a "broken promise" (i.e., when the employer unexpectedly terminated coverage).

How to Provide Coverage. The second question is: what is the best way to increase access to affordable insurance? One approach is to extend COBRA continuation coverage for longer than 18 months. Currently, COBRA allows insured workers in firms with 20 or more employees to continue that coverage for 18 months by paying 102 percent of the premium. The major problems with extending COBRA are that (1) people in small firms are not eligible, (2) businesses will consider the policy an unfunded mandate, and (3) the policy could lead to discrimination against hiring older workers. In addition, firms could use this longer COBRA mandate as an excuse to not cover any employees.

Cost?
Min [illegible]

A second approach is a Medicare "buy-in." Eligible people could buy into Medicare by paying a premium. Since Federal premium assistance for this group is prohibitively expensive, your advisors agree that participants should pay the full premium: the age-adjusted Medicare payment rate, plus an add-on for the extra risk of participants. This add-on could be high if, as the actuaries expect, most participants will be sicker than average. To attract healthier people and make it possible for more people to take advantage of the benefit, we could defer payment of part of the premium (e.g., this risk add-on) until age 65 by "amortizing" the payment. Under this option, Medicare would pay part of the premium as a loan up front, with repayment by the beneficiaries with their Part B premiums. This loan would be a Medicare cost in the short term.

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12-29-97

Option 1. "Broken Promise" People Only. The minimal option, with no Federal cost, is to require employers to offer COBRA coverage to retirees whose coverage they have dropped. This would allow retirees to buy into their active employer plan until age 65 at a premium (possibly 150 percent of the group rate, as has been done for other special COBRA populations). Even taking into account the premium payments, employers would bear some of the costs of their decision to terminate coverage, given the higher costs of people in this age group.

Option 2. Medicare Buy-In for Select Groups. The second option is to allow a Medicare buy-in for a subset of 55 to 65 year olds who have limited access to employer insurance. One group is the "Medicare spouses" — primarily uninsured women ages 55 to 65 whose husbands are already on Medicare. An alternative (or complement) is displaced workers. Since these groups are small, Medicare costs would be low.

Most worth doing

Option 3. Medicare Buy-In for 62 to 65 Years Old Plus Selected Groups. The third option is to allow 62 to 65 year olds, plus a group like displaced workers, to buy into Medicare. This group is representative of the 65 to 67 year old population, giving a sense of what would happen if Medicare eligibility were postponed to 67 years old. The HCFA actuaries estimate that the Medicare cost of the worst-case scenario — 300,000 sick participants —is $1.1 billion per year, not taking into account any beneficiary pay-back. Their initial estimate for the 62 to 65 year olds' costs, using more realistic assumptions, is about $300 million per year. They assume that 160,000 people will participate: 70,000 currently uninsured and the remainder previously insured by expensive, individual insurance. Note that OMB has not yet cleared these estimates.

Discussion

#2 looks good if in two year expansion OK

Despite likely business opposition, your advisors all support a COBRA option for the "broken promise" retirees. Beyond this, your advisors have not yet reached a consensus. OMB and CEA are concerned that any unsubsidized entitlement for pre-65 year olds will not stay that way for long because pressure will build to lower the premiums. To test a buy-in for the pre-65 year olds, OMB and CEA would recommend covering only Medicare spouses, because doing so would probably have a smaller effect on the general trend in retiree health coverage and retirement. The Department of Labor supports a general Medicare buy-in. It feels strongest about covering displaced workers because of its broader goal of improving workers' security,. Treasury shares OMB and CEA's concerns but would not object to a general Medicare buy-in if there were strong incentives for participants to enroll in managed care. This policy would make insurers, not Medicare, bear the risk, but could be politically difficult. HHS supports the broadest option and is concerned about only covering select groups since the enrollment may not be sufficient to justify the administrative effort.

Comp?

NEC/DPC recommend a package that includes (1) a Medicare buy-in for 62 to 65 year olds; (2) a Medicare buy-in for displaced workers; and (3) COBRA for the "broken promise" people. We think that this package is sufficiently narrow to limit effects on retiree health coverage or retirement. At the same time, the policy responds to the concerns of pre-65 year olds who feel vulnerable to losing employer coverage and/or facing unaffordable premiums.

12-29-97

B. PRIVATE LONG-TERM CARE OPTIONS

A second idea to improve access to insurance focuses on long-term care. Unlike acute care, long-term care is not primarily financed by private insurance, which pays only 6 percent of its costs. Medicaid pays for 38 percent, Medicare pays for 21 percent, and families pay for 28 percent of the costs out of pocket. This large government role may not be sustainable as the baby boom generation retires. Today, one in four people over age 85 lives in a nursing home. This could increase substantially as the proportion of elderly living to age 90 is projected to increase from 25 percent to 42 percent by 2050. Thus, it is important to encourage the development of private insurance options. The Kassebaum-Kennedy legislation took a step in this direction by clarifying that certain long-term care insurance is tax deductible. But because many people incorrectly assume Medicare covers all of their long-term care needs and do not know about private long-term care insurance, more action is needed. This action could include providing information to Medicare beneficiaries about private insurance, funding a demonstration program to improve the quality and price of private insurance, or both. None of these options includes a new Medicare entitlement or subsidy.

Information on Quality Private Long-Term Care Insurance

We propose to leverage our role in Medicare to improve the quality of and access to private policies. HCFA would work with insurers, state regulators, and other interested parties to develop a set of minimum standards for private long-term care policies. If a plan met these standards, Medicare would approve its inclusion in the new managed care information system. (As a reminder, the BBA included provisions to provide annual information on managed care choices to beneficiaries.) This proposal would build upon that system and cost up to $25 million in discretionary funds over 5 years ($5 million in FY 1999), distinct from the user fees currently authorized for the managed care information system. We also could propose a demonstration that would test the feasibility of a partnership between Medicare and private long-term care insurance on a limited basis. Alternatively, we could experiment in providing more long-term care through Medicare managed care. The cost of a demonstration would depend on its size and policy parameters, but could be limited to $100 to 300 million over 5 years.

Discussion

We believe this proposal has significant potential and is worth further development. There is some concern at HHS that coming to an agreement on a set of standards could be difficult and that insurers may argue that our standards drive up the cost of the policies, making them unaffordable. HHS also would prefer that any demonstration be funded through the mandatory budget. However, these concerns may not be insurmountable, especially since one objective of a demonstration could be to investigate high-quality private options that are affordable. Finally, we are still looking into the feasibility and advisability of using tax incentives to encourage the purchase of private long-term care policies and/or the use of IRAs for long-term care financing, although Treasury has strong concerns about the effectiveness of such options.

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12-29-97

C. MEDICARE COVERAGE OF CANCER CLINICAL TRIALS

Medicare has not traditionally covered patient care costs associated with clinical trials. Scientists and advocates believe that we are not making sufficient progress in treating cancer, in part because the lack of Medicare coverage limits participation in these trials. HHS and DPC have been working on an approach that covers patient care for a limited number of these trials. Because of concerns about its cost, OMB and Treasury strongly oppose this option.

Nearly half of all cancer patients are covered by Medicare, yet Medicare does not cover patient care costs associated with these trials. This care can often be prohibitively expensive for cancer patients and their families. Expanding Medicare coverage could increase access to trials for the many beneficiaries with cancer. Historically most insurers have covered clinical trials for children. As a consequence, nearly 70 percent of children with cancer participate in clinical trials. Scientists agree that this participation rate has helped improve cancer treatments for children, and some argue that it is one reason for the dramatically higher survival rates for children cancer patients.

The lack of participation in trials, related to lack of Medicare coverage, has significant implications for research in all cancer areas, particularly for those cancers like prostate cancer where clinical trials are particularly undersubscribed. According to a former National Cancer Institute director, if 10 percent of all cancer patients participated in such trials, trials that currently take three to five years would take only one year. Additionally, as the nation's largest insurer, Medicare plays a significant role in setting the standard for the insurance companies. A commitment from Medicare to cover clinical trials would go a long way to encourage private insurance companies to cover these trials.

Proposal

We have developed a proposal to expand Medicare to cover patient care costs of cancer clinical trials conducted at the NCI and trials with comparable peer review. In addition, we would require a National Cancer Policy Board to make further coverage recommendations, and HHS to assess the incremental costs of such trials compared to conventional Medicare-covered therapies. Assuming the true incremental costs are substantially less than the actuaries project, as we believe, additional trial coverage as recommended by the Board could occur. The initial coverage would cost $1.7 billion over five years. Senators Mack and Rockefeller have developed a more expansive and expensive proposal (co-sponsored by 26 Senators), which covers all FDA trials, many of which the experts believe do not meet a scientifically-meritorious standard.

12-29-97

A possible alternative way to cover clinical cancer trials' patient care costs is to dedicate resources from any significant increases that NIH / NCI receive in the upcoming budget. NCI could use these increases to simplify and centralize its clinical trials system, which has the potential to increase patient access. Although this option may be effective, the cancer community has clearly stated its preference for extending Medicare coverage. Another possibility is to require drug companies desiring Medicare coverage of additional clinical trials to contribute to part of the patient costs.

Maybe [illegible] to pay for?

Discussion

HHS is supportive of this policy and believes that it would not only give Medicare beneficiaries choices, but would encourage the private industry to cover clinical trials as well. HHS notes that this proposal is the highest priority for most of the cancer community as well as many in the women's community who believe it is an essential step to improve breast cancer treatment. The advocates have made it clear that they would strongly prefer the more expansive and expensive Rockefeller/Mack approach. But, the Senators might well support our proposal as an important first step and this would matter greatly to patient groups and the cancer community.

OMB and Treasury strongly oppose the Medicare coverage option. They note that Medicare would incur a large cost to provide medical services that are experimental and, therefore, unlikely to help the majority of beneficiaries. They also believe it will create enormous pressure to cover more types of cancer trials as well as non-cancer trials. Congress would likely expand the proposal beyond coverage of NCI trials, which will be very costly (up to $3 billion over five years). Moreover, similar support will be demanded for trials of treatments for Alzheimer's, Parkinson's, and other maladies. OMB also believes drug companies — not Medicare — should take the lead in improving Medicare beneficiaries' access to clinical trials.

While recognizing the OMB and Treasury concerns, DPC/NEC believes that Medicare coverage has potential to contribute to expansions of clinical trials and possible break-throughs in cancer treatment. Our recommendation to include it in the FY 1999 budget depends on other decisions. If resources are limited, we would propose the pre-65 initiative instead of this one. In addition, a major increase in the NIH — and NCI — budgets could lessen the need for this policy. But, if sufficient resources are available, we would recommend that you support this benefit as a reinvestment in Medicare and an enhancement of our biomedical research package.

D. MEDICARE ANTI-FRAUD POLICIES AND INCOME-RELATED PREMIUM

Funding for Medicare initiatives will probably require Medicare offsets. One approach is to use Medicare anti-fraud initiatives. HHS and OMB believe that these offsets could total about $2 billion over 5 years. This amount could fund some, but not all of the initiatives described above. To fund a more expansive series of initiatives, you may have to consider an income-related premium, which generates at least $8 billion over 5 years.

ANTI-FRAUD PROVISIONS

Could pay for clinical trials

In our ongoing efforts to reduce Medicare fraud, we have identified a number of small but important policies that could total about $2 billion over five years. Several of them address problems identified by the HHS Inspector General, such as the overpayment by Medicare for certain cancer drugs, that you highlighted in your radio address today.

INCOME-RELATED PREMIUM

Medicare subsidizes 75 percent of the Part B premium for all beneficiaries, including the wealthiest. Higher income beneficiaries, who actually receive more Medicare benefits than do poor beneficiaries, could afford premiums without subsidies. However, the addition of an income-related premium would make Medicare less of a social insurance program.

As you know, the Administration has publicly supported an income-related premium. It is not clear, however, that we should include this policy in our budget. Because this issue is very complicated, we will not make a recommendation until we meet with you on the subject.

Policy Options

Building from our position last summer, the income-related premium would be administered by the Treasury Department, not HCFA or the Social Security Administration. Eligible people would fill out each year a Medicare Premium Adjustment form (a separate form or a line on the 1040 form) and send a check to "The Medicare Trust Fund." Revenue from this premium, which is at least $8 billion over 5 years, depends on who pays and how much they pay.

Who pays. The income thresholds determine how many people are paying the higher amount. We proposed thresholds of $90,000 for singles and $115,000 for couples in the Health Security Act. Last summer, the Senate, including most centrist Democrats, passed a policy that began the extra premium payment at $50,000 for singles and $65,000 for couples. During the budget debate, we did not express support for particular thresholds.

How much. The amount of the payment for the wealthiest beneficiaries is a second question. In the budget debate, we argued that a 100 percent premium (no subsidy) would cause some healthy and wealthy people to opt out of Medicare. However, an analysis by the Treasury Department this fall found that the effects of a 100 percent premium would be smaller. HHS would strongly object to changing our position to support an income-related premium that completely phases out the Part B subsidy. If we decide to change our past policy, we should have a strategic discussion about the timing of announcing such a change.

Discussion

The decision to propose an income-related premium is complicated, and your advisors have differing views about its timing and, to some extent, advisability. Some believe that we made a decision last summer to support this policy, regardless of circumstances. However, its introduction may provoke criticism. Many Democrats and possibly AARP will oppose the income-related premium (though this opposition may soften if the premium is linked to a Medicare investment). In addition, Republicans might label it a new tax and use our support for it as an issue during the 1998 campaign. The Medicare Commission almost certainly will recommend this policy if you do not in the spring of 1999. Leaving it to the Commission has the advantage of providing both Democrats and Republicans with political cover, but the disadvantage of decreasing your control over the structure of the premium and how it will be spent. DPC/NEC will prepare for a separate meeting to discuss this issue.

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Clinton Library

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001. memo	Bruce Reed to the President re: Tobacco Update (5 pages)	09/05/1997	P5 4182

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Cathy Mays
OA/Box Number: 18517

FOLDER TITLE:

Correspondence and Memos for the President [Binder] [5]

Racheal Carter
2011-0005-S
rc640

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'97 SEP 5 PM7:34

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
12/10/97

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September 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Tobacco Update

When you return next week, Secretary Shalala and I will give you detailed recommendations on how to proceed on tobacco. We are scheduled to meet with you on Friday, and you are scheduled to announce your position on Tuesday the 16th. This memo is a brief summary of what we are likely to recommend and what strategic and policy decisions you will need to make.

I. Overview

Although the industry was hoping for quick passage, some Republican leaders in both houses said this week that the tobacco settlement was too complicated for Congress to enact before they adjourn in late October. Lott would still like to get it done this year, but with the legislation being referred to six committees in the Senate alone, we need to stake out positions that can hold up over time.

Over the past two months, we have held extensive discussions with the public health community, attorneys general, members of Congress, and farmers. The public health community will welcome our recommendations on most issues: guaranteeing full authority for FDA to regulate nicotine; imposing tougher penalties on the industry if it fails to reduce teen smoking; demanding an additional $50 billion to offset the credit in the budget agreement; making it somewhat easier to disclose industry documents; looking out for tobacco farmers; and so on. The only concerns of tobacco opponents that we cannot easily meet are dramatically increasing the overall price tag (Kennedy would like to see it doubled, to $700 billion) and demanding to see all the documents before capping liability (Leahy, Waxman, and Skip Humphrey are pushing for "no immunity without disclosure").

The central strategic question is how far we want to push the industry for additional concessions, at the risk of losing this opportunity altogether. Bruce Lindsey and I have repeatedly pressed the industry on the most important issues -- FDA, penalties, and documents -- with only modest progress. We met with them again today, and will continue to press them next week, but penalties remain a serious stumbling block.

Bruce believes we should not go forward unless we have the industry on board, because without an agreement on everything the industry will be free to use its considerable influence in Congress to undermine provisions it doesn't like -- for example, gutting the FDA provisions if it wins in the 4th Circuit. Secretary Shalala and the Vice President strongly believe we should not reach agreement with the industry, because any deal with tobacco companies will be suspect, and won't have enough congressional buy-in to withstand 6-12 months of debate in Congress.

This debate may become moot, if we can't get the industry to come around by next week on our bottom-line issues. In that case, I believe we should be both tough and reasonable, by demanding more than the industry can stomach right now (on FDA and penalties), but not more than they can possibly swallow in the end. I share Bruce's concerns about the industry's clout and penchant for mischief, but a little tension between us and the industry might actually help us during a drawn-out congressional debate. If we make this a fight over tougher penalties to reduce teen smoking (rather than how much money we want in return for capping liability), I believe we can beat the industry on a few points, even in this Congress -- especially in an election year.

II. Major Recommendations

A. FDA Authority

The first priority of the Administration in considering any tobacco legislation should be to confirm and protect the jurisdiction of the FDA to regulate tobacco products. The FDA must be able to regulate tobacco products, including by ordering the reduction or elimination of nicotine or other constituents, through its normal procedures in the furtherance of public health interests -- without any special procedural rules or requirements. We should call on Congress to pass legislation specifically empowering the FDA to require the modification of tobacco products based on a finding that this change would reduce the risk of the product to the public and is technologically feasible.

The industry still wants to put one hurdle in front of FDA, by saying the FDA may not go forward if a party affirmatively demonstrates that the action would create a significant contraband market in tobacco products. But we believe the FDA should only have to consider contraband as one of many relevant factors, including the number of addicted tobacco users and the availability of alternative products. We would eliminate two other weaknesses in the settlement -- the 12-year waiting period before FDA could ban nicotine, and the special procedural hurdles such as formal rulemakings.

B. Documents

For decades, the tobacco industry has failed to disclose essential facts in its possession about the dangers and addictiveness of tobacco products, and used attorney-client privilege to cloak scientific research and findings and possibly shield evidence of criminal or fraudulent behavior. It is therefore necessary to establish an effective and speedy mechanism to pierce fraudulent or otherwise improper claims of privilege and to force the disclosure of information that will advance public health interests. The documents issue has become a rallying cry for the most strident opponents of a settlement, led by Skip Humphrey.

The settlement calls for a national documents depository and a three-judge panel to provide expedited rulings on whether documents should remain privileged. We recommend strengthening the document provisions by 1) allowing litigants to challenge privilege claims in individual lawsuits, even if the three-judge panel had already ruled, and 2) providing the FDA with access to all health-related documents, notwithstanding any claims of privilege. That will enable the FDA to put the industry's considerable expertise on nicotine to good use.

Yes - I'm a Ren Gov already on atty client privilege ai unilaterally it wrong

Even these steps will not go far enough to please Leahy, Waxman, and Humphrey, who want to break the companies' attorney-client privilege and insist that the tobacco companies disclose all privileged documents before any consideration of a settlement. But the Justice Department has expressed serious concerns about any broad abrogation of the privilege, arguing that such an approach would undermine the privilege generally and might enable a tobacco company official charged with criminal conduct to assert a violation of his Sixth Amendment right to effective assistance of counsel.

C. Penalties

The settlement sets ambitious targets to reduce youth smoking by 30% in 5 years, 50% in 7 years, and 60% in 10 years, and would require companies to pay $80 million for each percentage point they fall short. Public health groups have praised the idea of targets and penalties, but complain that the current scheme does not give companies sufficient incentive to stop hooking teenagers. Our main problems with the current penalties are that they are tax-deductible, abatable, capped at $2 billion, and too small to serve as a deterrent.

We can strengthen the penalties in a variety of ways -- all of which the industry has so far resisted -- but our current preferred option is a two-tier system, with graduated penalties that get stiffer if the industry misses the targets by a substantial margin. The first tier of penalties would require companies to pay $80 million per point if the industry missed the targets by less than 5 points in year 5, less than 10 points in year 7, and less than 15 points in year 10. This penalty would be non-deductible, could not be abated, and would reflect a company's share of the youth market. If the industry missed by a greater margin, companies would pay the full first-tier penalty, <u>and</u> their settlement payment would be increased by a penny a pack for each additional percentage point by which they missed the target. This second-tier penalty would cost companies about $240 million a point, and has the additional virtue of locking in a permanent price increase that will help further reduce smoking by youth (and adults). Under this approach, if youth smoking went down by 30% over 10 years, instead of 60%, the industry would pay $1.2 billion in financial penalties and be forced to raise prices another 15 cents a pack on top of that.

D. Farmers

We have made clear that tobacco farmers should receive protection in any legislative settlement, and that the Administration will work closely with members of Congress from tobacco states to forge a consensus. Secretary Glickman has traveled to tobacco markets in Virginia and North Carolina to express this commitment directly to farmers.

Farmers are primarily interested in continuation of the governmental tobacco program, guaranteed purchase at set levels of tobacco crops by cigarette companies, and some provision for buy out and transition to other crops, on a voluntary basis. Because farm groups and tobacco state members have not yet coalesced around a consensus proposal, we don't need to commit to a specific plan yet. The most discussed proposal is one released this month by Senators Ford and McConnell that would require companies to buy a minimum amount of domestic tobacco over 25 years and would install penalties on companies that do not meet the stated goals for tobacco buying. The proposal would also create a "Tobacco Community Revitalization Fund" administered by USDA, but not subject to the appropriation process, which could spend up to $1 billion a year for 25 years from the settlement fund and would cover costs related to the tobacco program such as administration and crop insurance, make supplemental payments of up to $500 million to producers whose income from tobacco drops substantially below the 1996 level, pay up to $100 million in benefits for displaced cigarette factory workers, and provide up to $250 million a year for rural economic development grants.

E. Funding

Although the settlement is advertised at $368.5 billion, a variety of factors conspire to leave us with considerably less than that to spend on any new initiatives. The $368 billion is a 25-year number, and must be adjusted downward to reflect a projected drop in cigarette consumption of about 15%. For scoring purposes, OMB adjusts the amount down still further to reflect lost business tax revenue and lost federal excise tax revenue from decreased consumption. Most of the rest of the money in the settlement is already spoken for, to pay for civil suits, cessation programs, counteradvertising, and the states' Medicaid claims. The main decision you will need to make is how best to spend the $25 billion research trust fund, which most of us believe should be a 21st Century Research Fund dedicated to cancer and other tobacco-related research.

Some in the Administration (primarily the Treasury Department) and in Congress (led by Kennedy) believe the industry should be soaked for $600-700 billion. This is probably a dealbreaker for the industry, but it would free up additional funds for new initiatives.

F. Other Issues

We will need to propose improvements in other, less prominent areas, which we will detail for you next week. These include limiting the industry's antitrust exemption to prevent unnecessary collusion and removing a little-noticed cap on punitives for future misconduct.

We will give you a more detailed memo on all these recommendations next week, and bring you up to date on our discussions with the industry, the Hill, and the public health community.

COPY

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Jon Cassidy and Richard Reeves to Bruce Reed re: Excerpts from your interview with Richard Reeves [partial] (1 page)	10/27/1999	P6/b(6)
002a. email	Waves to Bruce Reed re: Waves appointment cofirmation [partial] (2 pages)	09/07/2000	P6/b(6), b(7)(C), b(7)(E), b(7)(F)
002b. list	List of attendees for the Bishop's Briefing [partial] (2 pages)	09/01/2000	P6/b(6)
003. memo	Chuck Brain to the President re: Meeting with Democratic Congressional Leadership and Statement (10 pages)	09/01/2000	P5 4184

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FOLDER TITLE:

Chron File September 2000

Racheal Carter
2011-0005-S
rc134

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 advice 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)]

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September 1, 2000

MEETING WITH DEMOCRATIC CONGRESSIONAL LEADERSHIP AND STATEMENT

DATE:	**September 5, 2000**
LOCATION:	**Oval Office**
TIME:	**10:30AM – 11:30AM**
FROM:	**Chuck Brain**

I. PURPOSE

To meet with the Democratic Congressional Leadership, Senate Minority Leader Tom Daschle, House Minority Leader Dick Gephardt, Senate Minority Whip Harry Reid, and House Minority Whip David Bonior, to lay out strategies for the Democratic agenda for the remaining congressional session.

II. BACKGROUND

Congress returns this week to complete the 2nd session of the 106th Congress. The target adjournment date is October 6th. Assuming Congress works on Mondays and Fridays throughout September, there are no more than 23 legislative days left in the session. The amount of work to be done is significant.

Of the thirteen appropriation bills, only two have been enacted. In addition, the list of uncompleted non-appropriation issues is long, including Patients Bill of Rights, Minimum Wage, Hate Crimes, Immigration Fairness, New Markets, Gun Safety and Prescription Drugs. In a letter to his Republican Colleagues, Senator Lott has said his focus would be completion of the remaining appropriations and the China PNTR bill, votes to override your vetoes of the bills to end the marriage penalty and the death tax, and the final reconciliation bill on Individual Retirement Accounts (IRAs) and pension plans.

Following is a summary of the status of these and other issues, as well as suggested discussion points.

Appropriations

Status: While the House has only one bill remaining (D.C.), the Senate has yet to consider five of the remaining eleven bills. There are veto threats on eight of the eleven bills. The Republicans did, however, attempt to pass several conference reports, outside of the regular order, in the days prior to the recess. Efforts to move the Labor-HHS bill and the Legislative Branch and Treasury/Postal bills together with the repeal of the telephone excise tax did not succeed. Both attempts were premised on very little Democratic support and neither of these attempts had sufficient support within the House Republican Conference to ensure passage. Consequently, no action was taken on either package. It should also be noted that the Republicans were more than willing to add additional dollars to the Labor HHS bill in order to come closer to our aggregate numbers for this bill. However, the additional funds did not fully fund our priorities and had a number of language problems and we would have opposed them as being inadequate.

Discussion: The Republicans face a difficult but strategic decision. Will they risk trying to pass these bills with few, if any, Democratic votes, requiring virtual unanimous support among Republicans, or will they attract Democratic support by funding our priorities and minimizing objectionable riders, risking the support of their conservative Members. A Republican-only strategy could lead to stalemate but an accommodationist strategy could alienate conservatives. **You should let the Leaders know that Hastert has again expressed a desire to have the Administration budget team sit down with them as soon as possible to "work through the bills." You should let them know that you will insist that these meetings are bipartisan and we will push strongly for funding of our priorities and against objectionable riders.**

Reconciliation

Status: The second of this year's two reconciliation bills must be reported from the Committees on Ways and Means and Finance on or before September 13th. The Budget Resolution provides that the reconciliation bill can include tax cuts of $11.6 billion in FY 2001 and $150 billion over five years. These amounts can be increased to reflect increases in the on–budget surplus. The Finance Committee anticipates marking up a reconciliation bill on September 7th. It is currently expected that the bill will be limited to a modified version of the House passed Portman-Cardin pension bill. Treasury has been actively involved in drafting this package and appears to have been successful in deleting objectionable provisions. However, a final decision has yet to be made. It is even less clear how the House will proceed. We also understand that modifications in the Senate could include a progressive savings package modeled after the Retirement Savings Accounts (RSAs) and the small business tax credits in your budget. The RSA proposal, however, is unlikely to include refundability. They may add other modifications as well that could be troubling to us, such as raising (or removing) income eligibility thresholds for IRAs, Roth IRAs, and conversions to Roth IRAs.

Discussion: Hastert was less than forthcoming in disclosing his plans for reconciliation. Since it is important to know if the Republicans are going to continue to advance their complete tax cutting agenda (possibly including modified but expensive versions of estate tax and marriage penalty), **you should suggest that we make disclosing their plans for a tax cut a precondition for**

moving forward on the tax portions of patients bill of rights and the minimum wage.

Minimum Wage

Status: On Monday, August 28th, the Speaker sent to you a letter proposing that you work together to pass a minimum wage increase "with strong bipartisan majorities in the House and the Senate." His offer included a $1.00 increase over two years ($.50 on January 1, 2001, and $.50 on January 1, 2002). This is similar to what the House had passed on March 9, 2000, though the effective dates in that bill were April 1, 2000, and 2001. Speaker Hastert has also offered to drop the objectionable estate tax and pension provisions. However, he proposes including other tax provisions which will have a revenue impact of $24 billion over five years and $76 billion over ten years and several FLSA amendments. Some of these proposals are very objectionable and potentially could be the basis of a veto. The provisions are being reviewed now by the Departments of Treasury and Labor (and by the House Ways and Means Committee, Mr. Gephardt, Rep. Bonior, and Senator Kennedy (D-MA) as well). In the Senate, a three-year, $1.00 increase is currently attached to the bankruptcy bill and is pending in conference. In his letter, Speaker Hastert says that he has spoken with Majority Leader Lott about this. We have asked for Senator Daschle to ask Senator Lott where he is on this offer.

Discussion: In your meeting with Hastert, you stated general concerns with some of the remaining tax provisions, more specific concerns with the FLSA amendments and raised the UI reforms recently agreed to by the "stakeholder workgroup" called for in your budget. Hastert expressed an interest in working out these issues as soon as possible. **You should ask Daschle about any conversation he may have had with Lott on this, and ask both the Leaders how they want to proceed.** They are likely to assert that since the Republicans are anxious to pass a minimum wage increase, we have leverage to resist objectionable provisions and advance minimum wage and UI reforms.

Patients' Bill of Rights

Status: The formal conference is completely stalled but Speaker Hastert continues to work to get a bill. Rep. Norwood (R-GA) came close to forging a compromise with the Speaker, the AMA, Senator Kennedy (D-MA) and Rep. Dingell (D-MI) prior to the August recess, but it became at least temporarily sidetracked when it became too public too soon. The Hastert-Norwood-Kennedy-Dingell "tentative compromise" reportedly included a fairly significant right to sue provision, a much more constrained and perhaps acceptable Medical Savings Account (MSA) compromise, and the elimination of all other problematic "access" tax provisions. All of these developments were generally quite encouraging. However, the enforcement provisions appear to include a problematic cap on non-economic damages for certain violations of the new

Patients' Bill of Rights that, under limited circumstances, come under Federal jurisdiction. In addition, if the MSA language gets re-visited or other problematic so-called access provisions get reinstated, it will be difficult to work out an agreement with the Democrats in the Congress, particularly if it doesn't include your provisions (e.g., your CHIP parents' policy) that truly would expand coverage. Finally, because the House Republicans continue to signal their great desire to pass their private long-term care insurance tax deduction, we believe there is a real opportunity to leverage your $3,000 tax credit proposal and private insurance consumer protections against this provision. Because of his desire to pass PBOR before Congress adjourns, Speaker Hastert's office informs us that he has been quietly lobbying Senator Lott to urge his cooperation and to bypass Senator Nickles' (R-OK) opposition.

Discussion: Hastert expressed his strong desire to get this issue behind him and pushed for a limit on non-economic damages. You parried with support for greater federal jurisdiction. Hastert also expressed some frustration with the number of parties with whom he has to negotiate, especially in the Senate. In addition, you and Hastert discussed long term care and the possibility of devising a tax policy designed to accomplish two policy goals: encourage the development of an insurance market and assist persons with actual long term costs. **Given Hastert's eagerness to find a solution and his frustration with the negotiations, you should ask the Leaders about the desirability of approaching Hastert with a Democratic offer on the outstanding issues.** This would have the effect of isolating Senate Republicans and making clear which party is responsible for failure to enact PBOR.

Education

Status: Your FY 2001 budget proposed spending $1.3 billion for school renovation and $1.75 billion for class size reduction. In addition, you proposed a ten-year $45 billion education tax relief package which includes a $36 billion college opportunity tax credit and $8 billion for school construction and modernization. To date, the only action taken by Congress is the Senate inclusion in the Labor-HHS bill of a $3.1 billion grant program, $2.7 billion which could be used for school construction. No action is planned on our tax proposals.

Discussion: You should reiterate that school construction and class size reduction are two of our highest priorities in the end game appropriations discussions. In addition, you should point out that since the Republicans have included the repeal of the telephone tax in the Legislative Branch-Treasury Postal appropriations package, we should all push for inclusion of the school construction tax provisions in the Labor-HHS bill.

Gun Safety

Status: The conference on the Juvenile Justice bill is dormant and no activity is planned.

Discussion: You should ask the Leaders **how we can best revive this issue** and focus on the fact that the Republicans are trying to end the Congress without acting on common sense gun safety legislation. An offer by Ranking Member Conyers (D-MI) to compromise with Chairman Hyde (R-IL) could be effective.

Hate Crimes

Status: On June 20th the Senate passed (57-42) Senator Kennedy's Hate Crimes bill as an amendment to the Department of Defense Authorization bill. (Senator Byrd (D-WV) was the only Democrat to oppose the amendment). The amendment would expand the federal Hate Crimes law to include crimes committed because of the victim's gender, sexual orientation, or disability. In addition, the amendment would create a federal grant and technical assistance program under which states and municipalities could receive aid in their investigation and prosecution of hate crimes. Despite our victory in the Senate, the ultimate prospects for the Hate Crimes bill are uncertain. The Hate Crimes language is not part of the House Defense Authorization bill, and given the probable conferees on this measure, it is unlikely that the Kennedy amendment will be included in the Conference Report. The House Democrats (led by Rep. Conyers and Mr. Gephardt) are, therefore, attempting to get a floor vote on a bill that mirrors the Kennedy amendment. It remains unclear, however, whether they will be successful.

Discussion: Speaker Hastert stated that he would take a look at this issue. However, his staff volunteered that this was a "heavy lift" with their conservative base. You should discuss with the Leaders what, if anything, can be done beyond the upcoming vote in the House.

NACARA

Status: As you know, the Congressional Hispanic Caucus (CHC) is pushing three immigration issues very strongly. These issues include: 1. Changing the registry cutoff date so that established undocumented immigrants who have been residing in the country since before 1986 would qualify to remain here permanently; 2. Parity for Central Americans to correct for unequal treatment among different groups of similarly-situated Central American and Caribbean refugees and allow them to adjust to permanent resident status; and, 3. Restoration of Section 245(i) of the Immigration Act, allowing immigrants who are already here in the U.S. to remain in the U.S. to complete the immigration process. These issues have been raised in the context of H1-B legislation and have been used by House Republicans to mask internal disagreements on how to deal with H1-B extension and reform. Members of your Administration have met recently with Senate and House Democratic Leadership and members of the CHC to work on a strategy for passage of these three issues. The consensus was that we should continue to raise these issues on the H1-B bill until we can successfully move it on another bill, most probably the Commerce-Justice-State appropriation bill. (The Senate C-J-S bill already contains the 245 (i) extension.)

Discussion: You should reiterate your desire to make this a high profile issue and ask how we can give greater visibility to it. When you raised NACARA with Speaker Hastert, he expressed a willingness to look at it and also asked if we were interested in dealing with the H1B and H2A issues.

Taxation of Social Security Benefits

Status: On July 27th, the House passed H.R. 4865, the Social Security Benefits Tax Relief Act, by a vote of 265-159. Minority Leader Gephardt (D-MO), Minority Whip Bonior (D-MI), and Ways and Means Ranking Member Rangel (D-NY) waged a vigorous campaign to produce a veto-sustaining vote against the bill. In the end, 156 Democrats and three Republicans voted against the bill, a sufficient number to sustain a presidential veto.

The Social Security Benefits Tax Relief Act would repeal the 1993 Omnibus Budget Reconciliation Act income tax increase on Social Security benefits. The 1993 Budget Reconciliation Act increased the taxable percentage of benefits from 50 percent to 85 percent for seniors whose outside income plus half of their Social Security benefits exceeds $34,000 for individuals or $44,000 for couples.

During consideration of the Estate Tax bill (H.R. 8), the Senate approved (58-41) a Grams (R-MN) amendment which was identical to the bill later passed by the House. Sen. Voinovich (R-OH) was the only Republican to vote against the amendment and four Democrats (Conrad (R-ND), Dorgan (D-ND), Feinstein (D-CA) and Johnson (D-SD)) voted in favor. (Sen Toricelli (D-NJ) did not vote.) Prior to final passage of the Estate Tax bill, the Senate struck all amendments which had been adopted and sent the bill to the White House.

Discussion: The Senate Democratic leadership is very nervous that they may have to vote on this issue again, believing that many Democratic Senators would like to change their vote. **You should suggest to Senator Daschle that he threaten "extended debate and numerous amendments," if Senator Lott tries to bring this issue before the Senate again.**

BBA Medicare Give Backs and Prescription Drugs

Status: Because of differences amongst the two parties on policy, willingness to invest, and politics on the Medicare prescription drug issue, it is difficult to see how an acceptable bill can pass and be signed into law in this Congress. As of this writing, the House Republicans appear comfortable defending their flawed, private insurance prescription drug benefit. This suits the House Democrats just fine since they want to run against the Republicans' approach and run on a Medicare prescription drug benefit that mirrors -- or is very similar to -- your proposal. The Senate represents the wild card as it hosts two forums where action could occur – Senator Roth's Finance Committee and, more likely, the Senate floor. Senators Daschle, Graham (D-FL), Robb (D-VA), and Kennedy will almost inevitably look for every opportunity and legislative vehicle to offer a Medicare prescription drug benefit amendment. If something actually passes (not likely, but not impossible to imagine), new pressure on the House right before an election could change the current outlook.

Unlike the prescription drug issue, the initiative that seems virtually certain to pass this year is the BBA health care provider "give-back" legislation. Your midsession review proposal, to dedicate $40 billion over ten years to address payment deficiencies and other shortcomings of the BBA, was obviously well received by the providers and the Congress. We specified only about $21 billion of the $40 billion for hospital, teaching hospital, home health, and nursing home payment increases, as well as about $500 million for full funding of the Ricky Ray Trust Fund and $300 million for an extension in enhanced diabetes research. We only specified about half in order to leave more time for better policy, get greater investment by the Congress in the package, and to create an environment in which all providers believed they were in the running for the funds you proposed. Congressman Thomas is now using your $40 billion figure for the amount he is considering for the development of his own Medicare payment enhancement package. There is little doubt that the Senate will find a provider "give-back" vehicle as well. Recognizing this, Senators Daschle and Moynihan (D-NY) are working on their own initiative that would double our investment to over $80 billion over ten years. They want to make certain that the Republicans don't outbid them.

Discussion: Mindful of the political appeal of this issue, **you should express your concern about keeping the Medicare "giveback bill" to a manageable size, avoiding a bidding war between all parties.** This could jeopardize enactment of the bill since it would undermine the future solvency of the program. For example, even our $40 billion restoration package would take off about two years of Mediare HI solvency if it were not netted out with our reforms and our Medicare Trust Fund dedication. To make sure Congress could take some credit for the givebacks, we specified only about $21 billion of the $40 billion for hospital, teaching hospital, home health, and nursing home payment increases, as well as about $500 million for full funding of the Ricky Ray Trust Fund and $300 million for an extension in enhanced diabetes research. **You should also state your desire to continue to push with them for the enactment of a Medicare prescription drug benefit, knowing that the press believes this issue is not going anywhere.**

New Markets

Status: The House passed H.R. 4923, The Community Renewal and New Markets Act of 2000, on July 25th by the overwhelming vote of 394 to 27. The bill includes the Administration's New Markets Tax Credit, extension of the existing empowerment zones and the designation of nine new empowerment zones, new tax incentives for "renewal communities," and an increase in the low-income housing tax credit.

In the Senate, Senators Santorum (R-PA) and Lieberman (D-CT) have introduced their version of the legislation. Although the Santorum–Lieberman bill contains the version of the low-income housing tax credit and private activity bond cap which Rep. Rangel supports, the bill also contains broader "charitable choice" language that would explicitly allow religious organizations to compete for federal funding in nearly all federal grant programs

Senator Robb (D-VA) has introduced an alternative to the Santorum–Lieberman legislation with a much more narrowly tailored "charitable choice" provision that also avoids the Title VII issue. The Robb bill is generally more acceptable to us, but we expect to work with all of the key Senators on a final bill.

Discussion: Recognizing your interest in moving this bill, Congressman Gephardt's view is the quicker, the quieter, the better. Senator Daschle is likely to be more interested, especially given Senator Robb's standing in polls. Speaker Hastert suggested that regular order be followed in the Senate but that he would check with Leader Lott to determine his plans on moving the bill. **You may need Senator Daschle's assistance in moving New Markets.**

Conservation and Reinvestment Act (CARA/Lands Legacy)

Status: The House passed CARA on May 11th, 2000, by a vote of 315–102. After months of negotiations, the Senate Energy Committee reported a Bingaman/Murkowski compromise bill on July 25th. All Democrats and Senators Murkowski (R-AK), Bunning (R-KY), Gordon Smith (R-OR) and Fitzgerald (R-IL) supported the bill. The Senate bill is actually "greener" than the House passed version. For example, the House bill does not provide effective oversight for the $1 billion in coastal impact assistance and includes restrictions on federal land acquisitions. The Senate bill does provide oversight of coastal monies and does not restrict federal land acquisition. Neither bill provides permanent or protected funding for all programs. The Senate bill basically provides discretionary funding while the House bill includes mandatory funding except for federal land acquisition funding which is discretionary.

Discussion: Hastert was not encouraging on this issue. He suggested our working with Chairman Young (R-AK) to devise a strategy to move the Senate. It is not clear how high a priority this is for the Democratic Leaders. **We should**

determine the extent of their interest before we expend much energy on the Hill. Since Senator Bingaman (D-NM) is on the ballot this year, Senator Daschle is likely to express more interest than Congressman Gephardt.

China PNTR

Status: On Tuesday, the Senate is scheduled to begin up to thirty hours of debate on the motion to proceed to consider PNTR. By Thursday, the Senate should be on the bill and considering amendments. Senator Lott has committed to "dual tracking" PNTR and appropriations bills, with appropriations being done later in the day. Lott will not file cloture on the bill during the first week but may early in the following week. We anticipate Senators Helms, Wellstone, Hollings and Thompson will offer amendments. We believe that they all will either be defeated or tabled. (Lott may try to find another vehicle for the Thompson amendment.) **You should ask Senator Daschle for his view on the situation, suggesting that it might be preferable to beat the Thompson amendment on PNTR rather than have it pass on another vehicle.**

III. TALKING POINTS

See attached.

IV. PARTICIPANTS

Pre-Brief
John Podesta
Chuck Brain
Others TBD

Meeting
John Podesta
Chuck Brain
Others TBD

Senate Minority Leader Tom Daschle (D-SD)
House Minority Leader Dick Gephardt (D-MO)
Senator Harry Reid (D-NV), Senate Minority Whip
Representative David Bonior (D-MI), House Minority Whip

V. PRESS PLAN

Closed Press.

VI. SEQUENCE OF EVENTS

--YOU greet Members and open meeting up for discussion.

--The meeting is adjourned.

--YOU, accompanied by John Podesta, Senator Daschle and Representative Gephardt proceed to the steps in the Rose Garden from the Oval Office.

--John Podesta makes brief opening remarks and introduces Senator Daschle.

--Senator Daschle makes remarks and introduces Representative Gephardt.

--Representative Gephardt makes remarks and introduces YOU.

--YOU make remarks, work a ropeline and depart.

VII. REMARKS

None

VIII. ATTACHMENTS

Talking Points

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Michael Waldman and Bruce Reed to the President re: Lobby Reform Initiative (6 pages)	04/04/1995	P5 4185
002. memo	Michael Waldman and Bruce Reed to the President re: Lobby Reform Initiative (5 pages)	03/20/1995	P5 4186

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THE WHITE HOUSE

WASHINGTON

April 4, 1995

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE CHIEF-OF-STAFF

FROM: MICHAEL WALDMAN MW
BRUCE REED BR

SUBJECT: LOBBY REFORM INITIATIVE

At your request, we have prepared a set of initiatives that would put you out front on the lobby reform and political reform issue.

We believe that this issue cuts to the core of why people have lost faith in government and are angry at politics. The middle class truly believes that powerful interests hold sway, and that their voice is too often ignored. At a time when Congress' unpopularity is rising, even as the GOP's overall popularity is holding steady, this issue allows you to position yourself against the part of Washington the public hates most.

<u>However, this very cynicism makes it hard to persuade people that we are serious, and risks bruising us if we are perceived not to be. Therefore, we believe that this issue is worth pressing only if it is done in a sharp and sustained way -- if it can become and remain a central theme over the next 18 months -- or it may not be worth doing at all.</u> Therefore, we need a clear direction from you on how to proceed.

I. BACKGROUND

Political reform continues to be a core issue for the Perot voters and independents. (Public opinion research is under separate cover.) It also has the potential to be a wedge issue between you and potential Republican opponents -- who tend to favor wealthy special interests at the expense of the middle class. In fact, this is one of the few major areas where the Republicans have completely ceded the field to us, if we choose to enter it. At the same time, if we approach 1996 with few political reform achievements, we will be vulnerable to attack from Perot or some other independent candidate from outside Washington.

If a decision is made to engage on political reform, now is the time to do so, for several reasons.

- <u>Congress' First 100 Days is ending</u>, with a sense that it has not reformed itself. In particular, the defeat of term limits will mean that Congress passed no major reform of itself. In addition, the press is finally beginning to paint the GOP Congress as a tool of wealthy special interests -- as *Time* has put it, the GOP has granted "unprecedented access" to lobbyists. (For example, the *Washington Post* reported that lobbyists wrote the regulatory moratorium bill, and were even given a room off the House floor from which to operate; the *New York Times* reported that GOP members were refusing to talk to lobbyists who had contributed to Democrats; and it was widely reported that the GOP used lobbyists to conduct the official briefing on their regulatory reform bill.)

- The GOP presidential race is being heavily defined by the so-called $20 million fundraising entrance fee.

- Your announcement of your own organizational plans will force the issue of what restrictions you are willing to put on your own fundraising. Next year, the need to raise tens of millions of dollars will bring into higher relief the question of campaign financing.

- Democrats in Congress are starting to become active on the matter once again, albeit in a guerilla fashion. Rep. Bryant (with the support of the Democratic leadership) is filing a discharge petition to bring up the ban on lobbyist gifts; Sen. Wellstone plans to seek to attach the gift ban to legislation sometime before the Easter recess.

- A bipartisan group of moderate lawmakers is becoming visibly active. A group led by Rep. Chris Shays has put forward a package of lobbying and other political reforms, and will be pressuring the leadership to act.

- You led the State of the Union with a call to act, but your Administration has not yet fleshed out those proposals in public.

II. OPTIONS

Here is a set of initiatives that could be announced immediately. They could be announced in one major speech, or could be broken out (unilateral steps, legislative proposals, a speech on democracy and citizenship) for maximum effect.

Lobby reform

1. Renew the call for a ban on lobbyist gifts, meals and travel to Members of Congress. This is being pushed by Democrats in both chambers. During the State-of-the-Union, you called for Members of Congress to voluntarily give up lobbyist gifts. Because of its stark simplicity -- lawmakers being treated to tropical vacations by lobbyists, etc. -- this has the greatest resonance of any political reform proposal.

2. Renew the call for reform of the lobby disclosure laws. The current lobby disclosure laws, passed in 1946 and basically untouched since, are more loophole than law. Lobby reform legislation would require all lobbyists, for the first time, to fully disclose for whom they work, what they are paid, and what legislation they are trying to pass or kill. This measure is more complex than the gift ban, and conservative grass-roots groups (such as the Christian Coalition) may succeed in bogging it down; nonetheless, it is good policy and resonates somewhat with the public.

Campaign reform

3. Spell out your free TV time proposal. Apart from your brief mention of it during the State of the Union speech, we have never fleshed out your proposal to provide free TV time for candidates. Senator Dole and House Commerce Committee chairman Bliley have proposed strong free TV bills, and the concept is supported by Ross Perot, the DLC and Common Cause. This proposal could be laid out in a speech on democracy that could be high-toned and would not necessitate a subsequent crusade.

4. Alternately, propose a bipartisan commission to "cut the Gordian knot" on campaign reform -- and pledge to introduce its recommendations. Former FEC Chair Trevor Potter has proposed that the campaign finance reform conundrum be solved by legislation creating a base closing commission-style panel that would make recommendations for reform. The President would be required to propose the reforms unchanged, or reject them, and Congress would agree to vote on them without amendment. Senator Dole has endorsed this proposal. This commission itself would require legislation to be launched. (Alternately, you could appoint your own bipartisan commission to make recommendations, but it would not have the teeth of a base closing-type panel.)

Pro: This would actually bring us the closest to enacting some form of reform. It would also be a way to have the issue taken "off the table" for a time, and to enable us to refrain from making proposals that we do not live under.

Con: It eliminates this issue as an effective club to use against Dole, unless he is unwilling to embrace the panel's proposals. In addition, we won't know in advance what the proposal would look like -- it could be weak, or it could include proposals that are hard for Democrats to swallow.

Unilateral steps on campaign reform

5. Lead by example. To reengage in this debate, you will need to show that you are willing to act by restricting your own campaign committee. When you announce the beginning of campaign activities on your behalf, you have the following options:

a. *Direct the reelection campaign not to take PAC money* (you did not take PAC money during the 1992 primaries either), but impose no further restrictions on your own fundraising. (Dole, Gramm, etc. are all taking PAC funds.)

b. *Direct the reelection campaign not to take contributions from registered lobbyists.* (This is now the standard followed by the Presidential Legal Expense Trust.) This would go beyond what you did in 1992.

> Pro: You have already legislatively proposed that lobbyist campaign contributions be banned. In addition, the decision to refuse such gifts by the Presidential Legal Expense Trust has established a difficult-to-ignore precedent. (Indeed, even if we say nothing, reporters will hone in on this inconsistency); Given the small number of lobbyists who actually register (about 7000), it may not directly cost the campaign that much money.
>
> Con: It would raise a standard that the DNC will not be able to meet (i.e., "You won't take $1000 from a lobbyist, but the DNC will take $50,000 from the lobbyist's client."). Moreover, it might anger some Democratic supporters and fundraisers based in D.C. We can discuss potential fundraising consequences with you further if you desire.
>
> Note: If the decision is made to refuse lobbyist contributions for the reelection campaign, we recommend that the Presidential Legal Expense Trust return the approximately $12,000 that was received from registered lobbyists.

c. *Direct the reelection campaign not to take contributions donated by registered lobbyists, or raised by registered lobbyists.*

> Pro: This option would make sense if you wanted to refuse campaign contributions from lobbyists, but believed that the press would regard that step alone as phony or hypocritical.
>
> Con: This would cost more money, and would raise the next question: what about lobbyists raising soft money? There may be no end to the "what next" questions.

d. *In addition to, or instead of, b. and c., publicly ask the DNC not to raise soft money for the general election campaign, if the RNC will agree to refrain from doing so as well.* In effect, this would challenge the RNC to a "mutually verifiable freeze" without "unilateral disarmament." The GOP is highly unlikely to rise to the bait. This is similar to the pledge you signed in New Hampshire in 1992.

Foreign lobbyists

6. Take new action against foreign lobbyists by barring your officials from meeting with lobbyists for foreign governments or corporations. Your executive order imposing post-employment restrictions has already barred senior officials from ever lobbying for foreign governments, barred senior trade officials from lobbying for foreign firms, and barred all officials from lobbying their own agency on behalf of any client for five years. A further restriction would be to actually bar your officials from meeting with foreign lobbyists.

Pro: This is sharp, clear, and understandable; the foreign lobbying issue plays to concerns over economic nationalism as well as political reform.

Con: The argument against it is that it would be unduly harsh, is unnecessary from a reform perspective and possibly counterproductive from a policy perspective, and would focus attention on those issues where we have worked with foreign lobbyists (e.g., NAFTA) and on former foreign lobbyists in your administration (e.g., Sandy Berger, Ron Brown, Charlene Barshevsky).

III. RECOMMENDATIONS

1. Renew the push for a ban on lobbyist gifts

___ Agree ___ Agree as amended ___ Reject ___ No action

2. Renew the push for lobby disclosure legislation

___ Agree ___ Agree as amended ___ Reject ___ No action

3. Spell out the details of your free TV campaign finance proposal

___ Agree ___ Agree as amended ___ Reject ___ No action

4. In terms of unilateral steps:

a. Refuse to accept PAC contributions, as you did in 1992.

___ Agree ___ Agree as amended ___ Reject ___ No action

b. Challenge the RNC to join with the DNC in not accepting soft money, as you did in 1992.

___ Agree ___ Agree as amended ___ Reject ___ No action

c. Refuse to accept contributions from <u>registered lobbyists</u> for your reelection campaign (the standard used by the Presidential Legal Expense Trust).

___ Agree ___ Agree as amended ___ Reject ___ No action

d. Refusing to allow <u>registered lobbyists to fundraise</u> for your reelection campaign.

___ Agree ___ Agree as amended ___ Reject ___ No action

5. Barring your officials from meeting with <u>foreign lobbyists</u>

___ Agree ___ Agree as amended ___ Reject ___ No action

The staff unanimously <u>recommends</u> that you:

- renew call for ban on lobbyist gifts
- push for lobby disclosure
- discuss free TV time proposal
- unilaterally refuse to accept PAC contributions for your reelection campaign

The staff unanimously recommends <u>against</u>:

- barring your officials from meeting with foreign lobbyists

The staff <u>does not have a consensus recommendation</u> on:

- unilaterally rejecting lobbyist contributions
- unilaterally rejecting lobbyist contributions <u>and</u> fundraising
- challenging the DNC and RNC to agree not to raise soft money
- proposing a bipartisan commission on campaign reform

THE WHITE HOUSE

WASHINGTON

March 20, 1995

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE CHIEF-OF-STAFF

FROM: MICHAEL WALDMAN MW
BRUCE REED BR

SUBJECT: LOBBY REFORM INITIATIVE

At your request, we have prepared a set of initiatives that would put you out front on the lobby reform and political reform issue.

We believe that this issue cuts to the core of why people have lost faith in government and are angry at politics. The middle class truly believes that powerful interests hold sway, and that their voice is too often ignored. <u>However, this very cynicism makes it hard to persuade people that we are serious, and risks bruising us if we are perceived not to be. Therefore, we believe that this issue is worth pressing only if it is done in a sharp and sustained way -- if it can become and remain a central theme over the next 18 months -- or it may not be worth doing at all.</u> Therefore, we need a clear direction from you on how to proceed.

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- The GOP race is being heavily defined by the so-called $20 million fundraising entrance fee.

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II. OPTIONS

Here is a set of initiatives that could be announced immediately. They could be announced in one major speech, or could be broken out (unilateral steps, legislative proposals, a speech on democracy and citizenship) for maximum effect.

1. Lead by example. To reengage in this debate, you will need to show that you are willing to act by restricting your own campaign committee. When you announce the beginning of campaign activities on your behalf, you can:

- *Direct the reelection campaign not to take PAC money* (you did not take PAC money during the 1992 primaries either). (We believe that Dole, Gramm, etc. are all taking PAC funds.)

- *Direct the reelection campaign not to take contributions from registered lobbyists*, or allowing them to fundraise from their clients. (This is now the standard followed by the Presidential Legal Expense Trust.) This would go beyond what you did in 1992.

Pro: You have already legislatively proposed that lobbyist campaign contributions be banned. In addition, the decision to refuse such gifts by the Presidential Legal Expense Trust has established a difficult-to-ignore precedent. (Indeed, even if we say nothing, reporters will hone in on this inconsistency).

Given the small number of lobbyists who actually register (about 7000), it may not directly cost the campaign that much money.

Con: It would raise a standard that the DNC will not be able to meet (i.e., "You won't take $1000 from a lobbyist, but the DNC will take $50,000 from the lobbyist's client."). Moreover, it might anger some Democratic supporters and fundraisers based in D.C. We can discuss potential fundraising consequences with you further if you desire.

Note: If the decision is made to refuse lobbyist contributions for the reelection campaign, we recommend that the Presidential Legal Expense Trust return the approximately $12,000 that was received from registered lobbyists.

- *Asking the DNC not to raise soft money for the general election campaign, if the RNC will agree to refrain from doing so as well.* In effect, this would challenge the RNC to a "mutually verifiable freeze" without "unilateral disarmament." The GOP is highly unlikely to rise to the bait. This is similar to the pledge you signed in New Hampshire in 1992.

2. <u>Renew the call for a ban on lobbyist gifts, meals and travel to Members of Congress.</u> This is being pushed by Democrats in both chambers. During the State-of-the-Union, you called for Members of Congress to voluntarily give up lobbyist gifts. Because of its stark simplicity -- lawmakers being treated to tropical vacations by lobbyists, etc. -- this has the greatest resonance of any political reform proposal.

3. <u>Renew the call for reform of the lobby disclosure laws.</u> The current lobby disclosure laws, passed in 1946 and basically untouched since, are more loophole than law. Lobby reform legislation would require <u>all</u> lobbyists, for the first time, to fully disclose for whom they work, what they are paid, and what legislation they are trying to pass or kill. This measure is more complex than the gift ban, and conservative grass-roots groups (such as the Christian Coalition) may succeed in bogging it down; nonetheless, it is good policy and resonates somewhat with the public.

4. <u>Take new action against foreign lobbyists by barring your officials from meeting with lobbyists for foreign governments or corporations.</u> Your executive order imposing post-employment restrictions has already barred senior officials from ever lobbying for foreign governments, barred senior trade officials from lobbying for foreign firms, and barred all officials from lobbying their own agency on behalf of any client for five years. A further restriction would be to actually bar your officials from meeting with foreign lobbyists.

Pro: This is sharp, clear, and understandable; the foreign lobbying issue plays to concerns over economic nationalism as well as political reform.

Con: The argument against it is that it would be unduly harsh, is unnecessary from a reform perspective and possibly counterproductive from a policy perspective, and would focus attention on those issues where we have worked with foreign lobbyists (e.g., NAFTA) and on former foreign lobbyists in your administration (e.g., Sandy Berger, Ron Brown, Charlene Barshevsky).

5. Spell out your free TV time proposal. Apart from your brief mention of it during the State of the Union speech, we have never fleshed out your proposal to provide free TV time for candidates. Senator Dole and House Commerce Committee chairman Bliley have proposed strong free TV bills, and the concept is supported by Ross Perot, the DLC and Common Cause. This proposal could be laid out in a speech on democracy that could be high-toned and would not necessitate a subsequent crusade.

Pro: Elite opinionmakers (such as editorial boards) will not take the other political reform measures seriously if there is not a campaign finance reform component.

Con: Since legislative success is highly unlikely, to raise this issue would potentially open us to charges of only pushing for reform when we know it won't happen -- without much payoff in return. Moreover, raising the issue will heighten scrutiny of our own fundraising.

III. RECOMMENDATIONS

We recommend that you:

- take the unilateral steps (refusing to take PAC money or lobbyist contributions for the reelection campaign, and ask the DNC and RNC to agree jointly not to raise soft money).

_____ Agree _____ Agree as amended _____ Reject _____ No action

- renew the push for a ban on lobbyist gifts

_____ Agree _____ Agree as amended _____ Reject _____ No action

- renew the push for lobby disclosure legislation

_____ Agree _____ Agree as amended _____ Reject _____ No action

- spell out the details of your free TV campaign finance proposal

_____ Agree _____ Agree as amended _____ Reject _____ No action

We recommend against:

- barring your officials from meeting with foreign lobbyists

_____ Agree _____ Agree as amended _____ Reject _____ No action

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION	
001. memo	Don Baer et al to the President re: Commencement Speeches (5 pages)	05/01/1996	P5	4213
002. memo	Jack Quinn et al to the Vice President re: Seizing the Outsider's Agenda (6 pages)	05/19/1994	P5	
003. memo	Bill Galston to the President re: State of the Union (3 pages)	12/28/1993	P5	4214

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Cathy Mays
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FOLDER TITLE:

Correspondence and Memos for the President [Binder] [8]

Racheal Carter
2011-0005-S
rc642

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 advice 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]

File:
POTUS memos

May 1, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: DON BAER
MICHAEL WALDMAN
BRUCE REED

SUBJECT: COMMENCEMENT SPEECHES

This memorandum outlines themes and topics for this spring's commencement addresses. We propose that you do a total of four such speeches. These speeches would be thematically consistent, and presented to the press as being a package, best viewed as a whole.

These speeches would have several purposes.

First, they would give you a chance to show your vision for the country as it moves into the 21st Century. This future focus would bind the speeches together; they would not be "boilerplate," but sketch out this vision using concrete detail and rhetorical precision.

Second, these speeches would show that your future vision is fundamentally consistent with the goals and values articulated in 1992, and with the policies and agenda put in place during the first term. It would be an opportunity to discuss your accomplishments as part of a consistent, value-driven "story line."

Third, they would show the press (especially the elite press) and public your priorities for a second term, and spell out with greater specificity where you would plan to lead the country. Three speeches would focus on the topics of the Georgetown speeches of 1991: the economy, foreign policy, and the need to repair the social fabric. A fourth speech would address a topic not separately addressed in 1991: strengthening the family, and the new family agenda.

Finally, the series of speeches will enable you to frame this agenda in values terms -- opportunity, responsibility, and community. You would make the argument that our challenge is to harness these traditional values, which brought America to this point, as we move into a new and very different age.

This proposal reflects the work and views of a number of people, including Dick Morris, Mark Penn, Bill Curry, Al From, [x, x, x].

Overview/community (Penn State, May 10)

This speech would discuss how we can mend our social fabric and restore the sense of duty and mutual responsibility that binds our people together. It will include a specific and memorable call to service.

Overview

Moment in history. We are approaching a new century, living through a new era. Students who start school in a few months will graduate in the new century. What kind of country do we want when we enter that new century? These four speeches seek to begin to answer this question.

Goals for country. Ran for President in 1992 with clear, straightforward goals for our country: To create opportunity for every American who would take responsibility to make the most of his or her own life. I wanted America to remain the world's strongest force for peace and freedom. And I wanted our nation to come together as a community again. Opportunity, responsibility, community -- these have been my lodestars during the past 3 years. And I believe these are the values that will best guide our country into the new century.

Using old values to guide us through new times. In a sense our challenge is to use these traditional values -- the values that helped build our nation -- in new and unsettled times. This does not mean traditional methods (like centralized big government.) We need to stress empowerment, not entitlement. That doesn't mean "giving a person a fish," but it also doesn't mean "draining the pond." The era of big government is over. The era of personal responsibility has begun.

Community

Age of possibility/time of change. For decades, the bonds that linked neighbor to neighbor have been frayed, by crime, distrust, economic upheaval. The sense of community that was second nature in the immediate postwar world is long-gone. It is not enough to yearn for a lost era of backyard cookouts and local taverns. Our goal must be to recreate strong American communities in a new time -- to use traditional values as we cross the bridge into a new century.

What we have done. We have made real progress: crime record/accomplishments; welfare reform waivers, empowerment zone concept.

What we must do now. Now our goal must be to give people the capacity to build strong communities, and to give communities the capacity to defend themselves and grow, in three major ways:

- Crime: When streets are empty and families are barricaded behind closed doors, crime flourishes. When neighbors walk the beat with police, a safe community is funds

reborn. We are putting 100,000 police on the streets. Today, we take the next step: we are calling for ~~100,000~~ new citizen patrols to join them ("red hats," etc.). Call on communities to use police under Crime Bill to set up citizen academies, blockwatch programs, squa~~tter eviction~~ programs, etc.

<u>Service</u>: The second way to renew our communities is to summon an ethic of service from our people. The national service program has shown the benefits to society ~~and~~ to those who serve when young people work for their community. We will propose a "service scholarship," so that young people who performed community service in high schools will get priority for college scholarships.

challenge comms + colleges to offer

~~Goals~~ civic responsibility

<u>Civic organizations</u>: Churches, civic groups, and informal associations that used to the backbone of our communities. Today, too often people don't join, retreating instead behind their own walls. These local organziations have too often been replaced by government, even when private charity or community organizations can do the job better. Our job should be to help these institutions of "civil society." The speech would endorse elements of the bill proposed by Sen. Dan Coats, possibly including adoption tax credit, incentives for charity, and perhaps a general commitment that as we reform the tax code, we should press for middle-class tax relief but also rewards for savings and charity -- not an across-the-board flat tax that punishes charity and hurts the middle class.

Family (Washington University, St. Louis, xx) By breaking out as separate topic,

This speech will deal with personal responsibility within our families -- how parents should take seriously their most important responsibility, raising their children, and how we can help families do the right thing. Because your Georgetown speeches did not include this topic as a distinct issue, its inclusion will be noteworthy. (This speech will encompass much of the "families" challenge from the State of the Union Address.)

Age of possibility/time of change. The family is our most important institution -- it is how we raise our children, build character, build economic security. It is the way we exercise our duties toward our parents and our children. And for decades, the American family and its values have been under assault -- rocked by seismic social changes, increased work pressures, deteriorating schools, TV violence, advertising and mass culture. We need to help families help themselves to live out their values.

What we have done. We have made progress: saving Medicare/Medicaid, education, environment; Family leave, smoking; V-chip, stepped up child support, violence against women.

What we must do. Now we must continue with a new family agenda that helps parents protect their children and raise them into their traditional values:

- families and work / family friendly workplace (flextime, corporate citizenship)
- attack on illegitimacy. 2 parents are better than one

civic responsibility ... where govt leaves off ... smaller govt but larger spirit ... No prob Amer can't solve when we put our heads together ... but Americans can

- welfare reform
- marriage initiative
- adoption
- call on Vice-President to lead a sweeping review of every government program to ensure that it is pro-family. (Announce some example that we are about to change -- e.g., more mayrried families in public housing.)
- mandatory cooling-off period in divorce.

Foreign policy (Coast Guard Academy, May 22)

Summary to be provided by the National Security Council.

Economy/education (Princeton, June 4)

Age of possibility/time of change. This speech will set forth a concrete, detailed discussion of the move into a knowledge economy. But churning change creates uncertainty, threatens to wash away our moorings. People have to work harder than ever to keep up.

What we have done. Put in place an economic strategy to address this moment of change: cut deficit, invest in people, trade, reform and shrink government. Result: 8.5 million jobs, etc.

What we must do now. Must press forward with a strategy of opportunity and responsibility. Now we must move forward. 1) Keep economy growing (need to balance budget, etc.). 2) Need to empower people, to give them the confidence and security to move forward in new era. Portable and secure health care, pensions, training. 3) New ethic of mutual responsibility for economic growth: Every employee has a responsibility to make their company more profitable, and every employer has a responsibility to make their employees more valuable.

Above all, education. Education reform at all levels. President will travel the country to persuade every state to enact education reform challenges as issued at NGA. In a knowledge economy, we must make the single greatest element of success available to more people than ever before: college. We must make higher education more available than ever before. $10,000 college tax deduction; 1 million in work study. Our goal: just as, after World War II, society made a decision that a 10th grade education was no longer enough, and set a goal of 12 years of schooling for everyone, now we should have as a goal ~~14 years~~ College of schooling -- i.e., at least community college for everyone who wants it. This goal ~~should~~ enlist energies of busines, educators, communities, and govenrment.

Alternative order for the speeches

An alternative ordering for the speech topics and settings would be as follows:

- Economy/education (Penn State)

- Foreign policy (Coast Guard academy)
- Community/responsibility (Princeton)
- Family (a high school graduation in California)

THE WHITE HOUSE

WASHINGTON

December 28, 1993

MEMORANDUM FOR THE PRESIDENT

VIA: JOHN PODESTA

FROM: BILL GALSTON WAG

SUBJECT: STATE OF THE UNION

In this memorandum I want to make three points that may be relevant as you prepare for your State of the Union address.

Mood of the Country

Your speech will occur in the context of a public torn between hope and fear. The principal area of hope is our economy, where confidence is growing that your economic strategy is beginning to work--that jobs are at last being created, that incomes are finally rising, and that big-ticket items such as homes and autos are once again within the reach of average families. The principal area of fear is our society, where anxiety abounds about the rise of crime and violence, the erosion of families, the disintegration of entire neighborhoods and communities, and (underlying everything else) the weakening of essential values and faith. In his First Inaugural, at the depth of the Great Depression, FDR assured the American people that their troubles involved only material things--not matters of morality and the spirit. Such reassurance would be neither accurate nor believable today.

I believe that in overall tone and approach, your State of the Union speech should reflect this duality of public mood.

o For the economy, the message should be: We're not out of the woods yet, but we're moving in the right direction. Let's use 1994 to build on the solid foundation we've created, by continuing to reduce the budget deficit and open the world to our goods and services while making vital public investments and reinventing the way government conducts the people's business.

o For the society, the message should be darker: We're facing a crisis of values and community, and we have to face up to it. Everything we cherish is in jeopardy if we can't reinforce personal responsibility, family cohesion, community solidarity, and public safety. That's why we need things like tough crime bills, expanded gun control, and welfare reform. But this isn't a matter for government alone. We need community-based organizations and the private sector to join in nothing less than a national mobilization to reweave the tattered fabric of our society.

Two Audiences, Two Sets of Objectives

o Your speech will have two distinct (though related) audiences, and two sets of objectives.

* For **Congress**, the principal objective is to demonstrate that you have a limited, well-defined legislative agenda that both meets urgent national needs and passes the test of legislative feasibility as well as political viability. Right now, members are afraid that they will be inundated with so many administration proposals that they won't be able to process them in a careful and orderly manner. In the State of the Union speech, you have an opportunity to show them that you have in fact made choices and established priorities, and that these priorities represent reasonable benchmarks for the second session of the 103rd Congress.

* For **the people**, the principal objectives are: (1) to demonstrate that you continue to understand that many of them are experiencing wrenching, baffling changes; (2) to explain these changes in a way that reduces the mystery and points the way to a better future; and (3) to show that you have a solid plan for seizing and building that future. For example: I believe you should once again explain why the emerging world economy will be filled with opportunity for American workers and firms--but only if our country creates a world-class system of education and training, and only if individual Americans make good use of that system.

A Specific Suggestion: Investment in a Reformed System of Education and Training as a Key Objective for 1994

I believe that the State of the Union address affords you an important opportunity to bring together the pieces of your education and training agenda into a powerful, unified theme.

I rest my case on four propositions.

1. Larger, smarter investments in human beings--from youngsters to dislocated workers are the core of your strategy for creating a more productive and competitive economy and a more decent and unified society. You campaigned on the basis of just such a strategy, and it is now vital to execute it.

2. Legislation to produce fundamental reform in education and training is now on a fast track toward enactment in 1994. Among the key items:

o Goals 2000 and the School-to-Work Opportunities Act will be approved early next year.

o The administration's proposals for reauthorizing the Elementary and Secondary Education Act have been adopted as the markup vehicle by the Congress and are moving forward rapidly.

o The Department of Labor is on the verge of significant proposals for dislocated workers and "one-stop" consolidation of currently disjointed training/retraining programs.

o The Head Start Advisory Committee report will be out shortly and will serve as the basis of reforming and reauthorizing the program this year.

In short, you will be in a far stronger position this year to argue to Congress and the country that you aren't just pouring new wine into old education and training bottles but are demanding--and receiving--basic reform as the precondition for increased investment. And you can bolster this case by pointing to your national service and student loan programs as examples of fundamental change already achieved that must now be sustained and strengthened.

3. The budget decisions you made last week are fully consistent with the theme of next year as The Year of Education and Training. Consider the basic building-blocks of your strategy: Head Start, Goals 2000, Chapter 1, School-to-Work, Job Corps, One-Stop Career Shopping, Dislocated Workers, and National Service. The aggregate proposed increase in these programs for FY 1995 over 1994 is $3.0 billion--more than 22 percent! This represents very tangible evidence of a top presidential priority.

4. A coordinated strategy for education and training will make it easier to explain to Congress and the American people what 1994 is all about. The proposal I've sketched would allow you to say that there are four top domestic priorities for 1994: health care, crime, welfare reform, and investment in educated and trained minds. Each redeems a key campaign pledge; each contributes to the overall economic well-being of our country; and each promotes security, independence, and opportunity for all our citizens.