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B
5-6-97

File

THE WHITE HOUSE
WASHINGTON

April 30, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *PC*
SUBJECT: Recent Information Items

We are forwarding the following items:

- 430-97
- (A) **Berger memo on extra day in Spain.** You asked whether it would be possible to go to Spain a day or two early in July prior to the NATO Summit. Sandy answers that you can. You were in Spain in December 1995 for the U.S.-E.U. Summit, but you have never visited Spain for its own sake. You could spend time with the King and Queen, sightsee in Madrid or visit nearby El Escorial. If you want, NSC will work with Scheduling to prepare a suggested schedule for you and the First Lady. Sandy notes that, if you want to "connect" more directly with the Spanish people, you could consider a town meeting with Spanish and American university students. After the NATO Summit, you are scheduled to visit Copenhagen. The Portuguese PM has extended an invitation, but Sandy does not recommend a visit to Portugal in connection with the Summit.
 - (B) **Mathews memo on your Mexico/Caribbean delegation.** Summarizes which Governors and Members of Congress will attend events on your trip.
 - (C) **Mathews memo on Unity Plan.** Via Erskine. In a comprehensive two-part memo, Sylvia summarizes plan for how we are implementing your "One America" initiative as outlined in the State of the Union. First part of memo outlines *recent and near-term confirmed activities*: March 29 radio address on racial reconciliation; April 4 Women's Leadership Conference event; April 3 statement on disappointment with Prop. 209 ruling; April 7 written statement from you on World Wide Web Disability Initiative; April 8 AIDS czar announcement; April 15 Jackie Robinson event; April 24 ENDA event; FDR Memorial event; Tuskegee announcement; Commencement address; new \$50 bill which has features for the sight-impaired. *Developing initiatives*: Race initiative (may include a commission); White House Conference on Hate Crimes (decision memo coming to you soon); Procurement reform (detailed information coming to you soon).
 - (D) **New York Times article on INS.** Forwarded by Rahm who notes that the Attorney General intervened with Doris Meissner over the two personnel appointments who will oversee the INS citizenship process.
 - (E) **Thank you note to Senator Inouye.** Senator Inouye asked for a note from you before introducing the FDR Memorial legislation. We had the note executed on your behalf.

THE WHITE HOUSE
WASHINGTON

216595

April 29, 1997

'97 APR 29 PM 7:31

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER 

SUBJECT: Possible Extra Day in Madrid in July

In response to a letter from King Juan Carlos I of Spain (Tab A) and the First Lady's interest, you asked whether it would be possible to go to Spain a day or two early. There is no reason you should not arrive in Madrid July 5 or 6 to spend some private time in Spain. You were there in December 1995 for the U.S.-EU Summit and will of course be participating in the NATO Summit July 8-9, but you have never visited Spain for its own sake.

In addition to spending time with the King and Queen, you could sightsee in Madrid or visit nearby El Escorial. (If you want to "connect" more directly with the Spanish people, you could consider a town meeting with Spanish and American university students.) On July 8-9, you will be busy with the NATO Summit and related events. As you know, after the Summit you are scheduled to visit Copenhagen. Portuguese Prime Minister Guterres has invited you to visit Portugal in connection with the Summit, but we do not recommend adding another stop. We will work with Scheduling and Advance to prepare a suggested program for you and the First Lady.

Attachment
Tab A Letter from King Juan Carlos



cc: Vice President
Chief of Staff

Don K - fyi:

cc: EURA

Mary Ann Peter

John Schmitt

*Lathey
Miltson*
HSC / Sunday
HSC interested in going
a day or two early - ditto
number? - PK

THE PRESIDENT HAS SEEN
4-11-97

S.E. WILLIAM JEFFERSON CLINTON,
Presidente de los Estados Unidos de América

4-11-97
New York, April, 1997

UNOFFICIAL TRANSLATION

The President of the United States
The White House
Washington, D.C.

Mr. President and dear friend,

As you know, accompanied by the Queen, I will spend this week in New York, visiting academic institutions and foundations for the purpose of maintaining our policy of periodic contacts with relevant sectors of American society; towards the end of the week I shall visit the Kennedy Foundation, invited by Senator Kennedy. I have made trips of this kind before and think that the experience has proved to be very useful for keeping up the good relations between our two countries and promoting better mutual knowledge of our societies. Furthermore I can reiterate to you that it is a great satisfaction for the Queen and me to be back in your country, which we are so fond of.

On July 8 and 9, Spain will host the Atlantic Alliance Summit in Madrid, which will be of the utmost importance for the future of the Alliance and to European Security. So we will have an opportunity at that time to see each other in Madrid.

However, these summits have very formal agendas and perhaps it would be a good idea if we were to have more time to exchange impressions or organise some activity.

It would give the Queen and me much pleasure if, accompanied by Mrs. Clinton, you were able to advance the date of your arrival for the time that you consider appropriate. In this way not only could we organise the programme that you consider most interesting, but could also continue the contacts that we have had in recent years and therefore consolidate our friendship.

Yours affectionate.

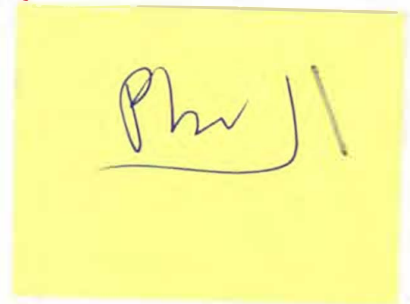
Juan Carlos R.



THE WHITE HOUSE
WASHINGTON
April 28, 1997

'97 APR 29 AM 7:38

✓ 4-30-97



INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SYLVIA MATHEWS *gust*

SUBJECT: **Mexico/Caribbean Delegation Breakdown**

Below is a summary of the Governors and members of Congress attending events with us in Mexico and the Caribbean next week.

Mexico - Tuesday May 6

The Congressional and Gubernatorial delegation consists of Governor Miller, Senator Kay Bailey Hutchinson, Senator Biden (invited), Representative Becerra (D-CA), one Republican House member (undecided), plus one Hispanic caucus leader. Governor Bush is unable to attend. (Note: for protocol purposes, Governor Miller will be treated the same as members of Congress).

The delegation will be attending the arrival ceremony, the Binational Commission Report, the joint press conference, the cultural presentation and the State dinner. The delegation will have individual meetings (TBD) during your meetings with opposition party leaders.

Mayor Daley, who will be in Mexico City, will be attending your speech and the State dinner only. Mrs. Daley will attend the speech only.

Mexico - Wednesday May 7

The delegation will be attending an AmCham breakfast, your speech at the National Auditorium and returning home on the Cabinet plane.

Costa Rica - Thursday May 8

There will be no Governors or members of Congress traveling to Costa Rica.

Barbados - Friday May 9

The delegation consists of Governor Rosello (Puerto Rico), Governor Schneider (Virgin Islands), Resident Commissioner Romero and Virgin Islands Delegate Green. The delegation will only be attending the evening reception with the Caribbean leaders.

cc: Sandy Berger
Marcia Hale
John Hilley
Mack McLarty
John Podesta

THE WHITE HOUSE
WASHINGTON

Date 4-30-97

To: John Podesta
Bruce Reed
Elena Kagan
From: The Staff Secretary

For your information.

To Patu3
when he
returns

cc: Podesta

~~Reed~~

B. Reed

E. Kagan

fyi T.

THE WHITE HOUSE

WASHINGTON

April 25, 1997

*Silver - sent to
Gent - sent to
9 APR 26 PM 3:25*

MEMORANDUM FOR ERSKINE BOWLES

FROM:

SYLVIA MATHEWS AND ANDREW MAYOCK *AM*

SUBJECT:

UNITY PLAN

In his State of the Union address, the President reaffirmed that one of his top priorities was bringing the citizens of the United States together as "One America." To help fulfill this priority, we are developing and implementing a comprehensive plan that focuses on uniting Americans. This memorandum outlines the following two items for implementing the plan: 1) recent and future activities; and 2) developing issues and events. In addition to these components, we will continue to develop policies and events to address this issue. (Also, I continue my bi-weekly minority issues meeting, which proactively addresses issues of unity and equality as they arise.)

Recent and Future Confirmed Activities

- **Radio Address on Racial Harmony:** On March 29, the President delivered a radio address on racial reconciliation and understanding in which he asked the American people to reaffirm their commitment to the idea that "we are many people, but one nation, bound together by shared values."
- **Women's Leadership Conference:** On April 3-5, the White House Women's Office and the Center for Policy Alternatives hosted "The Women's Economic Leadership Summit" which brought together over eighty women leaders. On April 4, the President addressed the summit. The conference will produce an action plan on such issues as family, child care and health, and the Administration will review its recommendations.
- **Prop. 209:** On April 3, a three-judge panel of the Ninth Circuit Court of Appeals overturned a district court injunction staying implementation of Proposition 209 and ruled that the proposition was constitutional. In a press conference on April 3, the President stated his disappointment with the panel's decision. The U.S. is a party to the case as amicus curiae and had argued forcefully at the preliminary injunction stage that Prop. 209 was unconstitutional. The Department of Justice is considering what next steps can be taken by the U.S. in its role as amicus in the case.
- **Disability and the Internet:** On April 7, a letter from the President was read to the participants of an event launching the Web Accessibility Initiative. This initiative is an effort to ensure that people with disabilities have access to the Internet's World Wide Web. The Department of Education will provide funding for the initiative, which was launched by computer industry sponsors and the Yuri Rubinski Foundation.

- **AIDS czar:** On April 8, the President announced the appointment of Sandra Thurman as the new director of the Office of National AIDS Policy. Sandra's appointment was generally well-received by the AIDS community, including the gay and lesbian community.
- **National Council on Disability:** On April 10, the President announced his intention to nominate Yerker Anderson, Gina McDonald, Bonnie O'Day and Shirley Welsh Ryan to the National Council on Disability. The council is responsible for promoting the integration, independence and productivity of individuals with disabilities into the community, schools and the workplace.
- **Jackie Robinson:** On April 15, the President attended the celebration of the fiftieth anniversary of Jackie Robinson breaking the color barrier in major league baseball. At the ceremony in New York, the President stated, "We have achieved equality on the playing field, but we need to establish equality in the boardrooms of baseball and throughout corporate America. And we need to make sure...[that] even more of our young people from all walks of life get their master's degrees and help to make more of their lives in this country." On April 5, the President taped an interview with Peter Maer of NBC radio which was part of a commemoration program. The program was available to program commemoration. The program was available to over 2000 radio affiliates. Additionally, segment's of the President's interview were used as part of NBC radio news broadcasts on this issue on April 15. On April 15, NBC made the President's interview available to the other major radio networks.
- **FDR Memorial:** On April 23, President Clinton announced his intention to send legislation to Congress to modify the Franklin Delano Roosevelt Memorial to reflect President Roosevelt's disability. White House staff has been working with disability groups, members of the Roosevelt family and Members of Congress to determine the best way to bring these sides together. This position will be incorporated into the President's remarks at the memorial's dedication on May 2.
- **ENDA Announcement:** On April 24, the President hosted an event at the White House with the co-sponsors of the Employment Non-Discrimination Act, commonly known as "ENDA." The event highlighted the President's support of the bill which would ban discrimination in the workplace (e.g. hiring, firing, promotions) on the basis of sexual orientation.
- **Tuskegee Announcement:** On May 16, the President will announce a formal apology to the victims and families of the Tuskegee syphilis experiment. This announcement will be accompanied by federal efforts to repair the breach between the African-American community and research community that was created by the Tuskegee incident.

- **Commencement Address:** On May 18, the President will give the commencement address at Morgan State University, a historically black college. We do not plan to announce the race initiative here. This speech will most likely address science or religious issues as it relates to the President's unity theme.
- **New \$50 Bill:** On June 12, the Treasury Department is scheduled to unveil its new \$50 bill, which has low-vision features for the sight-impaired. In developing the \$50 note, Treasury worked closely with disability groups on creating the low-vision features of the design. The \$50 bill will go into circulation this fall.
- **Radio Message:** In early June, as part of our video/audio recordings, a recorded message by the President will be aired on the American Urban Radio Network (AURN). AURN has over 500 national affiliates which reach ninety percent of the African-American population in the U.S. The recorded message will be played for a telethon hosted by "100 Black Men of America." The telethon is to raise money for this group which encourages economic development and provides mentoring to youths.

Developing Issues and Events

- **Race Initiative:** We are working on developing a comprehensive race initiative for the President, which may include a commission, to address building a strong and united America for the 21st Century.
- **White House Conference on Hate Crimes:** We are working on developing a White House Conference on Hate Crimes, possibly this fall. The conference would provide a broad umbrella for addressing our opposition to violence against those who may be different from others, and bring key constituencies together to identify commonalities and possible solutions. (This week, we plan to submit a decision memorandum to the President.)
- **Procurement reform:** This week, we will send the President a memorandum that outlines the proposed Administration announcement on procurement reform regulations. We have taken a number of steps in our roll-out of the Administration's proposed regulation that changes the Federal Acquisition Regulations to conform to the Justice Department's procurement reform proposal. We have resolved all outstanding legal issues concerning the regulation and are prepared to send the regulation to Office of Federal Procurement Policy, which is the final step prior to publication. We have conducted briefings for members of the Congressional Black Caucus and House and Senate staff members informing them of the imminent publication of the proposed regulation.
- **National Gay and Lesbian Leaders:** As part of our unity efforts, we are considering a scheduling request for a meeting between the President and national gay and lesbian leaders sometime this summer (possibly June which is "Gay Pride" month). The President last met with them in spring 1993.

'97 APR 28 PM5:01

THE WHITE HOUSE
WASHINGTON

April 28, 1997

MEMORANDUM TO THE PRESIDENT
FROM RAHM EMANUEL
SUBJECT APPOINTMENTS TO INS

Attached is the Saturday New York Times article on the new appointments at INS per our conversation. The Attorney General intervened with Doris Meissner to facilitate these appointments.

OK to
over

Reno Names 2 to Shape Up Citizenship Process

By ERIC SCHMITT

WASHINGTON, April 25 — Exasperated with the Immigration and Naturalization Service's handling of the nation's citizenship process, the Justice Department today assigned one of its top troubleshooters and a former Comptroller General to straighten out the program.

Robert K. Bratt, a senior administrator in the department's criminal division, will oversee the immigration service's citizenship operations, over the objections of Doris M. Meissner, the agency's Commissioner. Charles A. Bowsher, the former Comptroller General, will serve as an unpaid part-time adviser to Mrs. Meissner.

The moves come one week after an independent audit found that agency employees had largely ignored sweeping safeguards the immigration service put in place late last year to prevent the granting of citizenship to criminals.

Two House and Senate committees are to hold hearings next week on the stewardship of the program, which has come under sharp criticism from some Republicans for naturalizing 180,000 immigrants last year without proper criminal background checks.

The problems have fueled accusations that the service has mismanaged one of its most important functions and will be unable to cope with the record 1.8 million citizenship applications that it expects to receive this year.

"I am committed to taking any and all steps necessary to insure the integrity of nation's naturalization program," Attorney General Janet Reno said in a statement.

Ms. Reno dispatched Mr. Bratt

over the objections of Mrs. Meissner, who argued in discussions with the Attorney General this week that the addition of Mr. Bowsher, along with a reorganization of the service's senior managers, would suffice, Congressional and Justice Department officials said.

As Comptroller General, Mr. Bowsher headed the General Accounting Office, the investigative arm of Congress, from 1981 to 1996.

A move to prevent the granting of citizenship to criminals.

The Attorney General and her top aides disagreed with Mrs. Meissner, contending that the immigration service also needed a strong manager from the outside to come in and straighten out the citizenship program. The service is part of the Justice Department.

"What this says is that I.N.S. does not have its house in order, particularly its naturalization house," a senior department official said today.

Mrs. Meissner said in a statement today, "I look forward to working with them both."

In turning to Mr. Bratt, Ms. Reno is relying on a 19-year Justice Department official who has, in his most recent jobs, helped direct the training of a new police force in Haiti, developed training programs

for new judges in Russia and Eastern Europe, and established Government procedures to compensate Japanese-Americans interned during World War II.

"Bratt is an extremely competent manager," said a House aide who has frequently criticized the immigration service and its handling of the citizenship program. "This shows they're going the full mile to deal with this."

Mr. Bratt's first task will be to make sure that new policies put in place last November to prevent the service from granting citizenship to criminals are followed.

An interim report by the accounting firm KPMG Peat Marwick found that of the 23 regional and district immigration offices that auditors visited, only 8 were complying with the new procedures to any extent. Some offices had no records of training clerks on the new procedures. Many clerks apparently ignored new checklists and improperly filled out fingerprint forms that the Federal Bureau of Investigation needs to conduct criminal background checks.

In short, Mr. Bratt's job is to make the existing system work as efficiently as possible.

The Justice Department has selected another accounting firm, Coopers & Lybrand, to overhaul the entire citizenship process, from testing immigrants' knowledge of English to computerizing thousands of paper files.

Those changes are scheduled to be drafted and carried out by the end of next year.

The New York Times

SATURDAY, APRIL 26, 1997

Only sent Inouye
It to POTUS

THE WHITE HOUSE

WASHINGTON

April 29, 1997

Dear Dan:

I wanted to let you know how appreciative I am for your leadership in making the Franklin Delano Roosevelt Memorial a reality. Your years of tireless work to memorialize the life and achievements of our 32nd President have met with great success.

Thank you for introducing my Administration's legislation to formulate plans for the design and construction of an additional depiction of President Roosevelt in his wheelchair. I look forward to joining you at the Memorial dedication on May 2nd.

Sincerely,

Bill

The Honorable Daniel Inouye
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

April 28, 1997

(14)

✓ 4-30-97

MEMORANDUM FOR THE PRESIDENT

FROM: SUSAN BROPHY SB

SUBJECT: CONGRESSIONAL CORRESPONDENCE

Attached for your signature is a thank you letter to Senator Daniel Inouye (D-HI) for his assistance in introducing the Administration's legislation to formulate plans for the design and construction of an additional depiction of President Roosevelt in his wheelchair at the FDR Memorial.

April 30, 1997

MR. PRESIDENT:

We had this letter executed for you yesterday. Sen. Inouye wanted it before he introduced the Joint Resolution on the FDR Memorial.

Helen Howell

~~Need to put on
back slip.
Also, find out if
Inouye introduced
the resolution.~~

THE WHITE HOUSE
WASHINGTON

April 26, 1997

MR. PRESIDENT:

Attached are the following weekly information items:

- (A) Interest Rates and the Stock Market
- (B) CEA Weekly Economic Briefing
- (C) DPC Report
- (D) Emanuel Report
- (E) CEQ Report
- (F) Legislative Report
- (G) Cabinet Report - Filed Separate
- (H) Intergovernmental Report
- (I) Political Report

Helen Howell *Helen*

file

4-1-97

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A

Divider Title: _____

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

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April 25, 1997

✓ 5-1-97

'97 APR 25 PM6:42

MEMORANDUM FOR THE PRESIDENT

FROM: ALICIA H. MUNNELI *AHM*

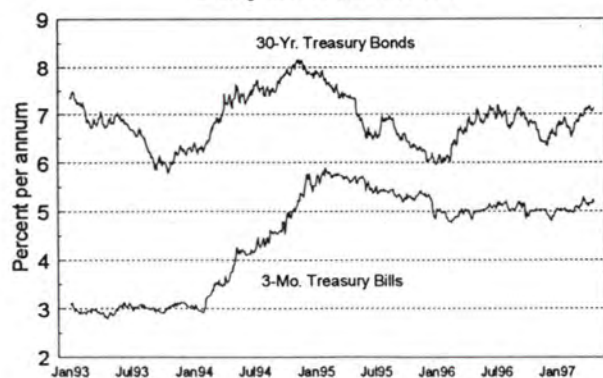
SUBJECT: Interest Rates and the Stock Market, Week Ending April 25, 1997

Interest rates rose this week. With little new economic data released this week, traders focussed on statements by Federal Reserve governors, rumors about progress in the budget talks, and concerns about the release of the employment and employment cost index data next week. Hawkish-sounding statements by Governor Rivlin on Monday and Governor Meyer on Thursday both triggered rises in long rates. In addition, long rates dropped on Tuesday reportedly due to rumors of an imminent budget deal, but they bounced back on Wednesday as traders decided that an immediate deal was unlikely. Evidence from the Fed funds futures market implies that the market sees some chance of another tightening at the May meeting of the FOMC.

	Close 4/18/97	Close 4/25/97	Change
3-month bills	5.15	5.17	+ 0.02
10-year notes	6.84	6.94	+ 0.10
30-year bonds	7.06	7.14	+ 0.08

The stock market was somewhat higher this week. The Dow Jones Industrial Average closed Friday at 6738.87, up 0.5 percent from last Friday. The broad-based S&P 500 index closed at 765.37, down 0.1 percent. The Nasdaq Composite Index closed at 1209.29, down 1.1 percent.

Daily Interest Rates



Dow Jones Industrial Average



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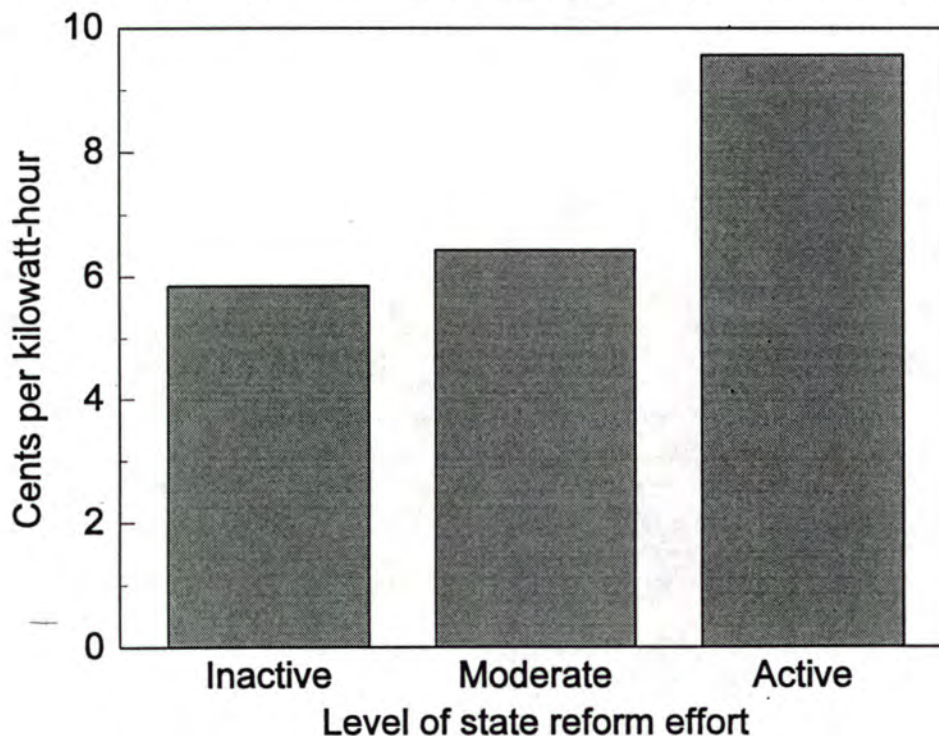
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

April 25, 1997

CHART OF THE WEEK

State Electricity Reform Effort and Average Electricity Rates



The intensity of state efforts to reform regulation of retail electricity is correlated with average electricity rates. States that already enjoy relatively low rates have little incentive for action. States with relatively high rates have reason to undertake active efforts to reform retail electricity regulation. Rates in states with active reform efforts underway are about one-third higher, on average, than rates in states that are inactive. A special analysis in this *Weekly Economic Briefing* examines the diversity of retail electricity prices across states.

CONTENTS

SPECIAL ANALYSES

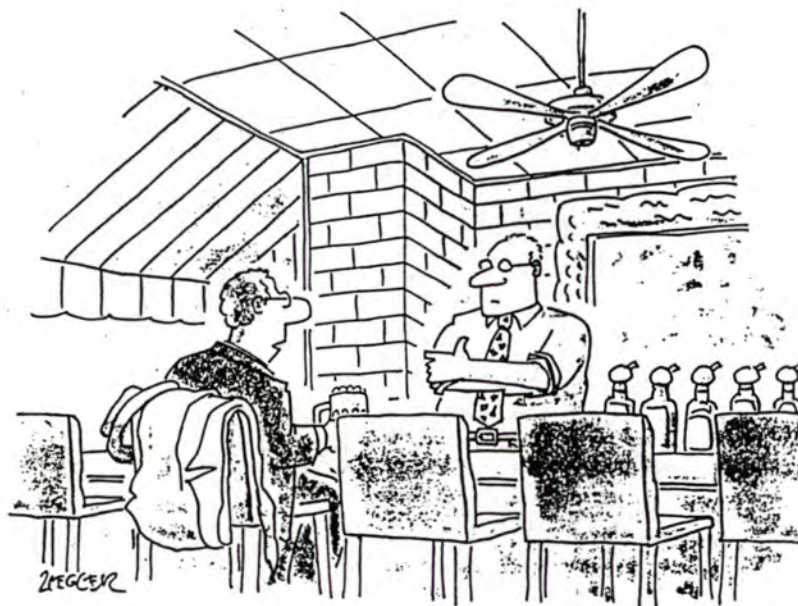
Unemployment Insurance Taxes and Low-Skilled Workers	1
State Reform of Electricity Regulation: The Role of Prices	2
Is The Dairy Program Feeling Its Age?	4

ARTICLE

Cigarette Prices and Smoking Behavior	6
---	---

DEPARTMENTS

Business, Consumer, and Regional Roundup	8
International Roundup	9
Releases	10
U.S. Economic Statistics	11
Financial and International Statistics	12



"Right now we're at a budget impasse. I maintain that you provide an essential service, and my wife feels that you do not."

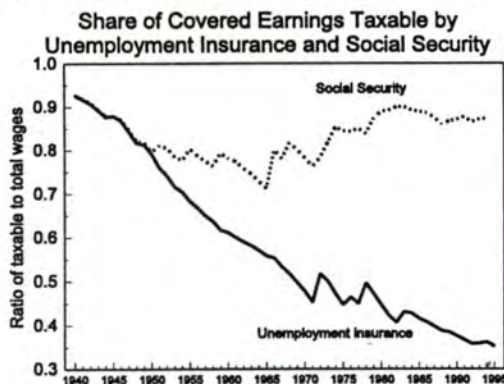
SPECIAL ANALYSIS

Unemployment Insurance Taxes and Low-Skilled Workers

Unemployment insurance (UI) will serve an important safety net role as large numbers of former welfare recipients make the transition from welfare to work (see *Weekly Economic Briefing*, April 18, 1997). Unfortunately, the current structure of UI financing disadvantages low-skilled workers.

The UI taxable wage base. Employers are assessed a UI tax on each worker's earnings up to a specified maximum. The Federal Government sets the minimum cap, currently \$7,000, but states have the option of setting a higher amount. Although many states have set their maximum taxable earnings amount for UI

somewhat above the Federal minimum, many have not—including large states such as New York, California, and Florida.

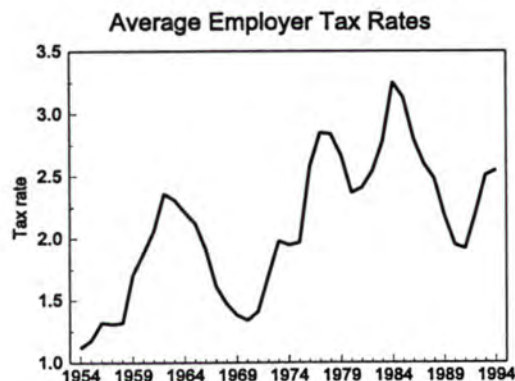


In 1940, the maximum taxable earnings for both UI and Social Security was \$3,000 (about \$35,000 in 1996 dollars) and covered virtually all earnings at that time. Since then, a series of ad hoc adjustments, and indexation implemented

in 1972 legislation, has kept the Social Security maximum roughly constant in real dollars. But most states do not index the UI taxable wage base or make frequent adjustments. As a result, the maximum taxable earnings for UI has fallen dramatically relative to that for Social Security (see upper chart).

Implications. As a share of earnings, the UI tax for a full-time, year-round minimum wage worker is currently five times as great as it is for someone making

\$40,000 in a year. To the extent that employers absorb the tax, they are discouraged from hiring relatively less-skilled workers. To the extent that the tax is passed on to workers, less-skilled workers see a larger proportional reduction in their wage.



This regressivity of the UI tax is likely to become more severe over time if the taxable wage base remains fixed in nominal dollars and the financing needs

of the system are met by raising the tax rate. Unlike the taxable wage base, UI benefits generally are indexed for inflation, or at least adjusted frequently. And the tax rate does display a general upward trend (see lower chart).

SPECIAL ANALYSIS

State Reform of Electricity Regulation: The Role of Prices

One measure of how regulation has inhibited retail competition in electricity is the wide range of prices that can be observed across states. Unsurprisingly, efforts to encourage retail competition tend to be stronger in states with higher rates.

An astounding divergence. In competitive markets, large price disparities normally encourage suppliers in areas where prices are low to divert their output to areas where prices are high. This would drive up the price in low-price areas and drive down the price in high-price areas until those prices are approximately identical (taking into account transportation costs). In electricity, however, average retail prices range from about 4 cents per kilowatt-hour (kWh) in Washington, Idaho, and Kentucky to over 11 cents per kWh in Hawaii, New York, and New Hampshire. Nor is this disparity unique to a few states. Average retail rates are below 6 cents per kWh in 18 States, and over 9 cents per kWh in 11 States.

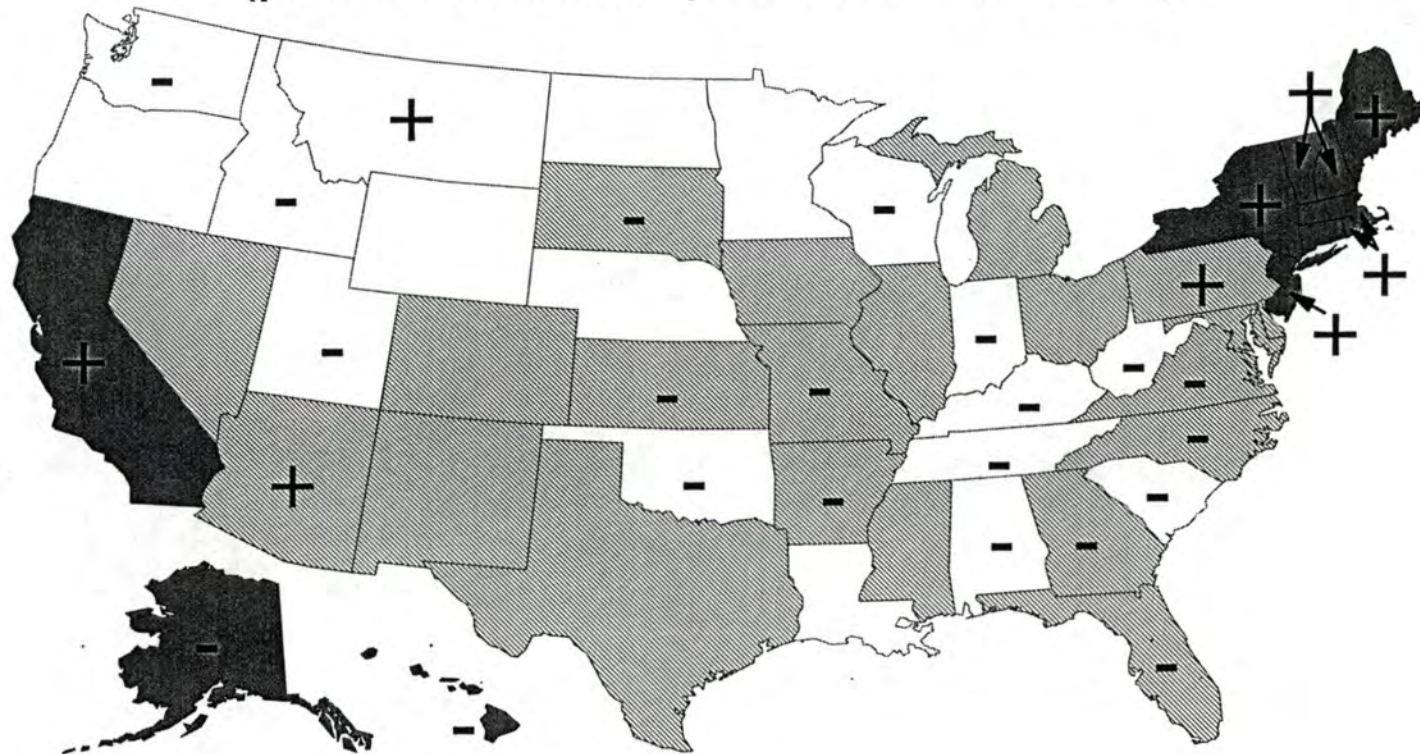
Why are electricity rates so different? Geographic factors play a role. States with utilities that have access to relatively inexpensive hydroelectric power or those located close to coal mines or other fuel sources have relatively low rates. But decisions by utilities and their regulators matter as well. For example, construction difficulties and tighter safety standards following the 1979 Three Mile Island mishap made nuclear power extremely expensive, raising costs for utilities that had gone that route. Differences across states in implementing the 1978 Public Utility Regulatory Policies Act (PURPA) have also contributed to rate disparities. Many states imposed long-term obligations on utilities to buy what has turned out to be relatively high-cost power produced either by renewable sources or by "cogenerators" that generate electricity in the course of their industrial operations.

Big buyers get cheaper power. The average electricity price for industrial customers (4.7 cents per kWh) is almost one-third lower than the average retail price nationwide (6.9 cents per kWh). Industrial customers benefit both from potential scale economies in serving large customers and from increased competition, in that they can threaten to relocate to other States or produce their own electricity if local utilities do not offer favorable rates. Retail competition could bring these lower industrial prices to residential and commercial users as well.

High-cost states respond as expected. States with high electricity rates have an incentive to reform a regulatory system that insulates local utilities from low-cost entrants and power producers across the country. As the map on the following page illustrates, the states that have been most active in changing laws or regulations to open retail markets are, by and large, the same ones with prices over 9 cents per kWh. It is an open question whether the momentum toward retail competition in these states will eventually carry over to areas of the country where electricity prices are only about half as high.

Electricity Prices and Retail Competition

(prices in cents per kilowatt-hour)



■ More than 9 cents ▨ 6 - 9 cents □ Less than 6 cents
+ Most active states - Least active states

SPECIAL ANALYSIS

Is the Dairy Program Feeling Its Age?

Many key provisions of today's convoluted dairy policy are a legacy of conditions prevailing in the dairy industry earlier in the century (see box on next page). The program aims to increase and stabilize farmers' incomes. But in so doing, it transfers income from consumers to producers, burdens taxpayers, and harms the environment.

Current policy. Important features of the current program include the following:

- The Federal dairy program maintains a distinction between milk for fresh-market consumption and that which is used to make manufactured products such as cheese, butter and powdered milk.
- The program sets a floor under the price of processed milk and purchases surplus output, mainly cheese and butter, in order to maintain the price.
- A set of 32 regional marketing orders specify the increment in the price of fresh milk over that of processed milk. The increment is based on the distance between the geographical center of the region and Eau Claire, Wisconsin.
- Farmers receive a price that is a "blend" of the price of fresh milk and the price of processed milk, irrespective of the actual use of their milk.
- Individual states are free to opt out of the Federal program. California, which produces about 15 percent of all milk in the country, maintains its own dairy program. (The Northeast Interstate Dairy Compact, which raises the price of fresh milk above what it would be under the Federal program, is another prominent exception to the basic national system.)

Economic effects. Three important effects can be identified:

- Higher prices for fresh milk. A recent study found that the Federal dairy program has increased the price of fresh milk by 6.5 percent and transferred an average of over \$1 billion from consumers to producers each year since 1949; this amounts to over \$500 per month for an average dairy farmer. In some years the cost to consumers has been much higher. In 1980, for example, the Federal dairy program cost consumers nearly \$5 billion. Because milk is an important part of children's diets for which relatively few substitutes exist, low-income families are most seriously harmed by an increase in fresh milk prices.
- Costs to taxpayers. The blend price paid to farmers is generally above the incremental value of milk in processed markets, resulting in overproduction. Taxpayers must pay to remove surplus dairy products from the market. The cost of these removals has varied widely from year to year as production has fluctuated in response to changes in demand and farm input prices. In the 1980s, the USDA actually paid farmers not to produce milk to keep its stocks from growing out of control. In 1983 direct taxpayer costs of milk removals peaked

at \$2.6 billion. Recently, taxpayer costs have fallen sharply as domestic demand for cheese and butter has increased. Chronic surpluses may well re-emerge, however, as farmers increase production.

- Environmental damage. Water pollution from dairy farm runoff is a significant concern in many parts of the country. This public health problem is especially serious in rural areas where a large majority of residents rely on groundwater for their drinking water supplies. Policies that increase dairy production also increase this environmental damage.

Implications. To a large extent, the original motivations for Federal dairy supports have disappeared (although many economists would argue that they were never compelling). Advances in storage technologies and lower transportation costs have broken down regional barriers to milk marketing. Many industries in the United States plan production and marketing on a daily basis, and the rapid adoption of just-in-time inventory management is a good example of this trend. Furthermore, it is no longer more expensive to produce fresh-market milk, and as a result nearly all U.S. milk meets Grade-A standards.

The 1996 Farm Act overhauled much of American agricultural policy, replacing numerous government controls with a more market-based system. Federal dairy policy was largely untouched by that legislation, but will have to be addressed before the current policy expires in 1999.

Origins of the Dairy Program

Federal dairy programs date back to the 1930s, when farmers demanded that the government ensure "orderly" dairy marketing. At that time, milk was difficult to store and expensive to transport. Farmers were thus susceptible to price fluctuations in the local market. The price support feature of the Federal program was intended to insulate dairy farmers from these price changes. The differential price paid for fresh milk was motivated by the higher cost of producing more sanitary milk for the fresh market. Varying the fresh market price according to the distance from Wisconsin was intended to reflect transportation costs from the main dairy-producing region.

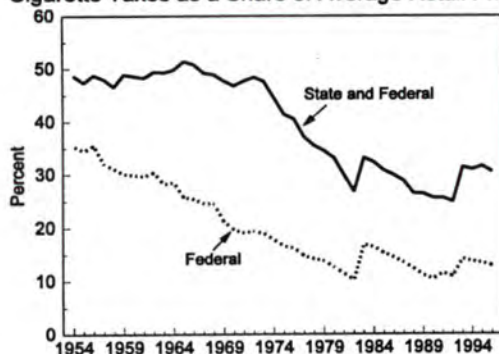
ARTICLE

Cigarette Prices and Smoking Behavior

The Federal Government has raised the excise tax on cigarettes only three times in the last 45 years. Recently, however, a number of states have hiked their cigarette taxes, and the Kennedy-Hatch health care proposal would increase the Federal tax by 43 cents per pack. Moreover, some observers have speculated that the tobacco companies might raise prices to pay for any settlement coming out of current negotiations. How would higher prices affect smoking behavior?

Cigarette taxes. Federal and state taxes together used to represent about half the retail price of cigarettes. Now, as their value has been eroded by inflation, they represent less than a third (see chart). A 43-cent-per-pack increase in Federal taxes

Cigarette Taxes as a Share of Average Retail Price



would, if passed on fully to consumers, raise the price of cigarettes by about 23 percent, from \$1.85 to \$2.28 per pack. The combined Federal and state taxes would still be a smaller percentage of the price of cigarettes than they were in 1974.

Do prices affect smoking behavior? A substantial body of research indicates that higher cigarette prices discourage smoking. A reasonable estimate is that a

23 percent increase in the price of cigarettes would cut smoking by about 9 percent in the short run and by almost twice as much over a longer period of time. It takes time for the full effect to be felt because cigarettes are addictive and many people do not curtail or stop smoking immediately. In addition, a tax increase gradually reduces the prevalence of smoking by discouraging persons from taking up the habit.

Health benefits. Higher cigarette taxes are likely to improve public health. One recent study implies that a 23 percent increase in the price of cigarettes would save around 14,000 lives per year, due to reduced cardiovascular disease and respiratory cancers. Another study finds that increases in cigarette taxes reduce the incidence of low birth weight, an important indicator of infant health.

Are cigarette taxes regressive? The poor are more likely to smoke than the affluent, which implies that cigarette taxes are regressive. This does not mean, however, that increases in cigarette taxes necessarily impose a disproportionate burden on the less well-off. It appears that less-educated and lower-income smokers are more responsive to price increases than those with higher education and income. Moreover, the combination of higher initial rates of smoking and possibly greater responsiveness to price means that the health benefits of higher cigarette taxes will also tend to accrue disproportionately to the poor. Finally, taxation appears to be a

particularly effective way of deterring young people from smoking (in part because of their low incomes) and is therefore likely to have particularly long-lasting health benefits.

Could Cigarette Prices Become Too High?

The short answer is probably not, given the size of likely increases and the health benefits from reduced smoking. But two issues deserve mention.

Do smokers pay their way? One study finds that cigarette taxes are currently at about the right level to cover the economic costs smokers impose on non-smokers. In particular, although smokers require additional medical care, most of the extra cost is offset by lower expenses for retirement pensions and nursing home care resulting from smokers' shorter life expectancies. However, the study did not fully account for some costs imposed by smoking (such as the costs of second-hand smoke or of smoking by pregnant women). Of course, even if smokers do "pay their way," other economic and social factors play a role in setting tax rates. For example, nicotine addiction typically begins at young ages when people may be ill-equipped to understand the long-term implications of their decision to take up smoking. And society may value the health and longevity benefits achieved through reduced smoking.

Smuggling. The Canadian government substantially increased cigarette taxes during the 1980s and early 1990s. (In Canadian dollars, the Federal tax rose from 42 cents per pack in 1984 to \$1.93 in 1992.) This led to higher prices and reduced smoking. However, partly out of concern that the high prices were encouraging smuggling, the taxes were sharply reduced in 1994. Three factors promoted smuggling prior to the "roll-back:"

- the large differential between cigarette prices in the United States and Canada
- the relative ease of transporting cigarettes between the two countries
- what some claim was an active effort by Canadian tobacco companies to encourage smuggling.

Although the decrease in tobacco taxes may have reduced smuggling, the evidence suggests that the price reduction is encouraging more Canadians to smoke.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Private School Vouchers and Student Achievement. Results from Milwaukee's experiment with private-school vouchers have been controversial, partly because of an inadequate experimental design (see *Weekly Economic Briefing*, September 27, 1996). Those enrolled in private schools differed from their comparison group in ways that are likely to be related to educational outcomes, making a direct comparison inappropriate. A recent study reexamining the data from this experiment attempted to correct for the design flaws. It found some evidence of a positive effect from vouchers. Estimates indicate that math scores of school-choice enrollees rose more than those of similar students who remained in the Milwaukee public schools (1.5 to 2 percent higher for each year of private school enrollment)—although reading scores were no higher. Still, these results should be interpreted cautiously. Although these statistical corrections may have reduced the potential biases introduced by an imperfect experimental design, it is unlikely that the flaws have been eliminated.

IRS Releases Report on EITC Error Rates. An Internal Revenue Service study analyzing non-compliance rates associated with the earned income tax credit (EITC) estimates that 25.8 percent of EITC claims for the 1994 tax year (returns filed between January and April 1995) exceeded the amount to which taxpayers were entitled. Improved IRS enforcement practices and tighter procedural rules enacted in 1996 would have reduced the error rate by an estimated 5 percentage points, had they been in place for the 1994 tax year. The results from this study should be compared to error rates in excess of 35 percent the last time the IRS conducted a study of a comparable group of taxpayers (for the 1988 tax year). The EITC error rates reported in this year's study are still viewed as too high (even though non-compliance in other areas, such as the reporting of business income, are substantially higher). In response to the study's findings, the Treasury Department announced a set of legislative and administrative proposals designed to ensure that the EITC goes only to taxpayers who are eligible.

Immigrants Have Little Effect on Native Migration. One of the most convincing pieces of evidence suggesting that immigrants do not displace natives in the labor market was Miami's experience with the 1980 Mariel boatlift. One influential study found no discernible effect from the large inflow of these Cuban refugees on the employment and wages of native-born residents of Miami. The main criticism of this study has been that immigrant inflows into particular areas may lead to an exodus of natives that would dampen any displacement effects. A new study finds that outflows of older immigrants and natives of the same skill level in response to heightened immigration were much smaller than the inflow of new immigrants. Cities that received large inflows of recent immigrants had sharp increases in the relative share of their labor force that is low-skilled. The study also concludes that immigration does have small effects on the level of employment and wages earned by natives and older immigrants.

INTERNATIONAL ROUNDUP

United States May Pass Japan as World's Largest Aid Donor. Due to a combination of unusual factors, the OECD may determine that the United States was the world's largest contributor of official development assistance (ODA) in 1996. The value of U.S. donations for 1996 will be bolstered by the OECD's decision to include 2 years of U.S. annual aid to Israel in the 1996 total, because the disbursement originally designated for 1995 was delivered too late to count for that year. On the Japanese side, a combination of a weaker yen and fiscal tightening in Japan have contributed to a 35 percent decline in Japanese aid measured in dollars. Preliminary estimates indicate that the value in 1996 will be close to \$9.6 billion. In addition, delays in negotiations to replenish the International Development Association (part of the World Bank) and the Asian Development Bank have led to a temporary drop of 70 percent in Japan's contributions to multilateral organizations. Japan first surpassed the United States in levels of ODA in 1989. In terms of contributions as a share of GDP, the United States still ranks below Japan, and, since 1990, it has contributed a smaller share of its GDP to ODA (about 0.16 percent, on average) than nearly any of the 21 major contributing nations.

Western Hemisphere Regional Trading Arrangements Progress—Without U.S. A series of meetings this week between the Andean Community (Venezuela, Colombia, Ecuador, Peru, and Bolivia) and the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) will reportedly conclude with a declaration that could pave the way for a gradual merging of the two largest trading blocs in South America. Ties between the two are already fairly strong. Bolivia, for example, was a founding member of the Andean Pact but already enjoys associate membership in Mercosur. Peru, which this week expressed frustration with the structure of the Andean Community, has also approached Mercosur concerning associate membership. Meanwhile, closer cooperation between the two Americas is being pressed by Canada as it begins negotiations with Mercosur countries. The Canadians are meeting with the Brazilians this week and hope to negotiate a trade and investment agreement between Canada and Mercosur. Canada has already concluded a trade agreement with Chile, an associate member of Mercosur.

The Brussels EMU Forecasts—A Leap of Faith? According to the European Commission's latest forecast, all EU countries except for Greece and Italy will meet the EMU public deficit target of 3 percent of GDP. The IMF forecasts, however, were strikingly less optimistic. According to the IMF, only 9 of the 15 EU countries will meet the deficit criterion for EMU, and, significantly, France and Germany are not among this elite group of nine. Unsurprisingly, a number of analysts regard the European Commission's forecasts as tainted by politics. Others believe that the European Commission's forecasts have better accounted for the extraordinary measures that some countries (like Germany) are willing to undertake in order to meet the 3-percent target. In any case, slow growth and high unemployment in France, Germany, and in other European countries will require that painful fiscal measures be adopted if the Commission's predictions are to be realized.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

****For release at 10 a.m., Friday, April 25, 1997****

As reported last week, the goods and services trade deficit declined to \$10.4 billion in February from \$12.3 billion (revised) in January.

MAJOR RELEASES NEXT WEEK

Employment Cost Index (Tuesday)
Advance Durable Shipments and Orders (Tuesday)
Consumer Confidence—Conference Board (Tuesday)
Gross Domestic Product (Wednesday)
NAPM Report on Business (Thursday)
Leading Indicators (Friday)
Employment Situation (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1996	1996:2	1996:3	1996:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.1	4.7	2.1	3.8
GDP chain-type price index	5.3	2.1	2.2	2.0	1.9
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.9	0.6	0.0	1.1
Real compensation per hour:					
Using CPI	0.6	0.4	0.5	0.7	0.2
Using NFB deflator	1.3	2.2	2.0	2.0	2.7
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.4	10.3	10.6	10.6
Residential investment	4.5	4.1	4.2	4.1	4.1
Exports	8.2	11.3	11.3	11.1	11.5
Imports	9.2	12.6	12.6	12.7	12.6
Personal saving	5.1	3.6	3.2	3.9	3.8
Federal surplus	-2.7	-1.7	-1.7	-1.6	-1.4
	1970- 1993	1996	Jan. 1996	Feb. 1997	Mar. 1997
Unemployment Rate	6.7**	5.4**	5.4	5.3	5.2
Payroll employment (thousands)					
increase per month			259	293	175
increase since Jan. 1993					11926
Inflation (percent per period)					
CPI	5.8	3.3	0.1	0.3	0.1
PPI-Finished goods	5.0	2.8	-0.3	-0.4	-0.1

**Figures beginning 1994 are not comparable with earlier data.

FINANCIAL STATISTICS

	1995	1996	Feb. 1997	Mar. 1997	April 24, 1997
Dow-Jones Industrial Average	4494	5743	6917	6901	6792
Interest Rates					
3-month T-bill	5.49	5.01	5.01	5.14	5.18
10-year T-bond	6.57	6.44	6.42	6.69	6.93
Mortgage rate, 30-year fixed	7.95	7.80	7.65	7.90	8.08
Prime rate	8.83	8.27	8.25	8.30	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level April 24, 1997	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.717	-0.5	12.8
Yen-Dollar	126.0	-0.1	18.0
Multilateral \$ (Mar. 1973=100)	96.60	-0.3	9.9

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.1 (Q4)	5.2 (Mar)	2.8 (Mar)
Canada	2.3 (Q4)	9.7 (Feb)	2.2 (Feb)
Japan	3.1 (Q4)	3.4 (Feb)	0.7 (Feb)
France	2.1 (Q4)	12.8 (Dec)	1.6 (Feb)
Germany	2.2 (Q4)	7.6 (Dec)	1.7 (Feb)
Italy	0.1 (Q4)	12.3 (Jan)	2.4 (Feb)
United Kingdom	2.0 (Q4)	7.2 (Feb)	2.7 (Feb)

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216164

THE WHITE HOUSE
WASHINGTON

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April 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: DPC WEEKLY REPORT

1. Crack Cocaine Sentencing: The Sentencing Commission is scheduled to announce on Tuesday a unanimous recommendation to Congress to amend federal law to reduce the disparity between sentences for crack cocaine and powder cocaine. The proposal is to reduce crack cocaine penalties while increasing powder cocaine penalties, thus "pinching" (but not eliminating) the disparity. Specifically, the Commission will recommend that the trigger for a five-year mandatory minimum sentence for crack distribution be raised from 5 grams to between 25 and 75 grams (with Congress to pick some number in between) and that the trigger for a mandatory minimum for cocaine distribution be lowered from 500 grams to between 125 and 375 grams. Depending on what number within these ranges is chosen, congressional action according with this recommendation would reduce the current 100:1 ratio between crack and powder sentencing to a ratio of between 5:1 and 15:1. Also next week, the Commission will change its own sentencing guidelines to increase penalties on methamphetamine.

As you will recall, the Attorney General and General McCaffrey strongly favor reducing the disparity between crack and powder sentencing. And you stated that "some adjustment is warranted" when you signed legislation disapproving the Sentencing Commission's prior action in this area (a simple reduction in crack sentences to the level of powder sentences). At that time, you called on the Commission to undertake additional review and report back with new recommendations.

Rahm and I both agree that you should respond in a generally positive way to the Commission's new and much better recommendation -- not on grounds of race, but on grounds of criminal justice policy. You should stress that a rational sentencing structure targets mid- and high-level dealers of the most dangerous emerging drugs, rather than low-level dealers of drugs posing less present danger. The Commission's action on methamphetamine will help you to make this argument. We think you should ask the Attorney General and General McCaffrey to review the Commission's report and make a specific recommendation on appropriate sentencing changes in 30 or 45 days.

2. Tobacco: In light of Friday's decision on tobacco, we will work with HHS and DOJ to evaluate other actions you might take to limit or otherwise respond to the advertising of tobacco products to children. Alternative approaches may seem smaller than the advertising restrictions in our rule, but we should attempt to advance our goal in any way possible while we

seek to reinstate those restrictions. In addition, we will work with Bruce Lindsey, as you requested, to ensure that as settlement talks proceed, you are in a good position to evaluate the effects of any possible settlement on public health.

3. Food Safety Report: Secretaries Glickman and Shalala and Administrator Browner will forward to you next week the report on food safety that you requested 90 days ago in a radio address. The report announces, among other things, that the agencies will: (1) develop ways to test for hepatitis A and other hard-to-detect contaminants; (2) issue new regulations for fruit juice and egg products; and (3) establish a new public-private partnership with industry and consumer groups (funded by a \$1 million contribution from industry) to develop and publicize simple food-safety messages. We currently plan to release the report at an event attended by Glickman, Shalala, and Browner on May 4.

4. Teen Pregnancy: The National Campaign to Prevent Teen Pregnancy will hold a conference on May 2 to mark its first anniversary. At a White House reception that day, the First Lady will give awards to 10 pioneers in the effort to reduce pregnancy, including Elaine Bennett. Concurrently, HHS will release a report showing that teen sexual activity has decreased 10% since 1990 (from 55% of girls ages 15-19 in 1990 to 50% today). The report also shows that condom use has tripled among teenagers since 1972. The combination of decreased sexual activity and increased condom use among teenagers appears to be primarily responsible for the 8% drop in the teen pregnancy rate over the last four years .

5. Narcotics Money Laundering: Last summer, the Treasury Department issued a Geographic Targeting Order (GTO) -- an order to financial institutions within a particular area to comply with special reporting or recordkeeping obligations -- that required 22 licensed money transmitters in New York to report information on any cash transmission to Columbia of more than \$750. The GTO has caused a dramatic reduction in the flow of narcotics proceeds through New York. The Treasury Department is almost ready to release a proposed rule to apply these reporting requirements to money transmitters across the nation. We recommend that you announce, within the next few weeks, this important effort to crack down on narcotics money laundering.

6. Peace Officers Memorial Event: On May 15, you will attend the Annual Peace Officers' Memorial Event organized by the Fraternal Order of Police. We recommend that your main policy announcement focus on the Deegan law, which provides educational scholarships to the children of federal officers killed in the line of duty. You can announce \$1.2 million in new money for these scholarships and new legislation to make these scholarships available to the children of slain state and local officers. You also can announce the completion by the National Institute of Justice of a prototype "smart gun" which will help protect police officers from death and injury.

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THE WHITE HOUSE
WASHINGTON

(X)

April 25, 1997

✓ 5-1-97

MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL
SUBJECT WEEKLY REPORT

CRIME/DRUGS: The House Judiciary Committee began yesterday to mark-up the juvenile legislation. They plan to finish next week and take it to the floor before the recess. We will begin to negotiate with the Republicans between committee action and floor action. I think we can have a real impact on funding for gang prosecutors and after school funding, but the real fight will be on child safety locks.

I am trying to convince the Democrats to push the child safety lock vote as a way to force moderate GOP members to address this issue. We want moderate GOP members to vote on mandatory child safety locks. It is good policy and good politics.

I am working to have the President release or announce the new Brady forms at the Law Enforcement Memorial event May 15th. We want to use that speech to establish our policy of "no background check- no gun." This policy lays the ground work for the courts Brady decision.

The following list details the upcoming reports for the President or Administration to release over the next two months.

- * One year review of our fight against "Meth"
- * Community Policing and the Drop in Crime
- * One year review of the Federal Drug Testing initiative
- * One year report of the Youth Hand-Gun Tracking project.

I would like to have the President sign the Executive Order on Sexual Predators in the Oval. We do not need an event, a photo is sufficient. I believe the sooner the better.

I am having a meeting later today on the Sentencing Commission guidelines on Crack and Powder.

CAMPAIGN FINANCE: Senator Feingold and I are planning on talking later today about timing on the legislation and our executive actions. On the Executive front, I think we should file the petition with the FEC while the President is in Mexico. We should announce the Free TV Commissioners by the end of May. We should also announce our intention to file an amicus brief in the spending limits case in Cincinnati. The Justice Department has agreed to file an amicus brief in the case when it reaches the Supreme Court. It is important that all these actions happen prior to July 4. I do not see any action in the Senate prior to July 4, and we need to establish Presidential credibility on the issue.

Two side notes -- the Free TV commission is important for a variety of reasons. One side bar is that Norm Ornstein and Paul Taylor are very supportive of the idea and can become validators on the issue of reform. The court case allows us to finally have the Justice department agree that spending limits are legal.

FAMILY: The tobacco decision out of North Carolina was a big victory. I called David Kessler and asked him to go to CNN and ABC to push the Administration's line.

I have been trying to hold off Safire from writing a negative column on the Gambling Commission. He is writing for Sunday, and I am trying to write to convince him to write on Foreign Policy. We need to announce the members of the Gambling Commission the moment they are ready. We need to give it to a reporter who will frame the story our way.

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

216161
'97 APR 25 PM9:24

(H) April 25, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *Kathleen McGinty*

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

✓ 5-1-97

RIGHT-TO-KNOW EXPANSION

On Earth Day, you announced the Environmental Protection Agency's (EPA) major expansion of the number and types of facilities subject to the Toxic Release Inventory (TRI). The announcement was well-received. However, we were disappointed that scant attention was paid to the proposal to "reinvent" the TRI reporting process to ease the burden and cost of TRI reporting while enhancing the information available to communities.

CHILDREN'S HEALTH EXECUTIVE ORDER

On Monday, April 21, the Vice President announced your Executive Order on children's health at the National Children's Medical Center. The Executive Order, which directs agencies to enhance their efforts to protect children from environmental health and safety risks, served as a follow-up to the First Lady's conference on early childhood development and a curtain-raiser for Earth Day the following day. The order was well-received by children's health advocates and environmental and citizens' groups, and the event received good coverage by CNN and NBC.

ENVIRONMENTAL BUDGETS

A number of bills with implications for environmental budgets are beginning to move through the House.

For example, the authorization bills for DOE and EPA by the Science Committee raise a number of environmental concerns. Although the current form of the DOE bill provides funding for energy efficiency and renewables programs related to climate change which is slightly above the FY 1997 level, this level of funding provides only about a fourth of the increase requested by the Administration. The EPA authorization bill provided a better share of the requested increase sought by the Administration for FY 1998 (about two-thirds), but no specific funds were provided for a research initiative related to right-to-know that was part of the Kalamazoo

announcement on toxics. Both the EPA and DOE authorization bills have been referred sequentially to the Commerce Committee, and their future progress is uncertain.

WEST COAST COHO

The National Marine Fisheries Service negotiated an innovative agreement with the Governor of Oregon, John Kitzhaber, this week concerning protection of coho salmon. Badly depleted coho populations along the far southern coast of Oregon and northernmost coast of California will be listed as "threatened" under the Endangered Species Act. But coho populations along the majority of the Oregon coast will not be listed, in exchange for commitments from the State to improve harvest, hatchery, and habitat management practices. The agreement marks one of your Administration's most ambitious efforts to date to stimulate environmental leadership by state government in lieu of federal intervention. Governor Kitzhaber's serious commitment to this issue deserves strong praise and stands in stark contrast to the much less proactive approach taken by California. The attached article from today's Los Angeles Times provides additional detail.

APPLIANCE EFFICIENCY STANDARDS

Ending several years of acrimonious debate between the environmental community and the appliance industry (which was itself divided), DOE this week published a consensus standard that will require a 30% improvement in the energy efficiency of refrigerators beginning in July 2001. By 2010 the standards are expected to save consumers \$1.1 billion per year and .81 quads of energy (the amount generated by 7 power plants and used by 7 million households in one year). Secretary Federico Pena referred to the achievement as "building a fridge for the 21st century."

DOE is required by law to conduct periodic reviews of appliance efficiency standards to achieve the maximum improvement that is technically and economically justified. During this rulemaking process, DOE came under significant pressure from the Hill, including an appropriations rider precluding work on the rule for one year. Achievement of the consensus rule was possible because of good technical work by DOE, and the willingness of DOE and White House policy offices to hang tough under pressure to find a way to achieve energy efficiency results that were economically feasible. Although several major industry players held out for many months, ultimately agreement was reached. This standard sends an important signal about the Administration's belief in the importance of energy efficiency as a tool to address air pollution and climate change; and about the potential for policies that serve both the environment and the economy.

CLIMATE CHANGE

This week, the White House Climate Change Task Force organized economics and science briefings for congressional staff and outside groups. The briefings presented background on our economic modeling efforts, laying a foundation for follow-up briefings on the economic impacts of action to limit greenhouse gas emissions. In addition, Tom Karl of NOAA gave a presentation

based on his article in the current issue of Scientific American, which describes the evidence linking increases in severe weather events to the buildup of greenhouse gas emissions in the atmosphere. This article strongly supports your remarks about climate change on Earth Day (article attached).

WHALING

Attached for your information is a letter received yesterday from 16 members of Congress (10 Democrats and 6 Republicans) Japan's whaling with Prime Minister Hashimoto.

Los Angeles Times

April 25, 1997

U.S. to Add State Coho Salmon to Threatened List

By JAMES GERSTENZANG
TIMES STAFF WRITER

WASHINGTON—In one of the most far-reaching decisions ever made under the controversial federal law protecting endangered species, the Clinton administration will declare the Northern California coho salmon a creature threatened with extinction, administration officials said Thursday.

By forcing potentially sharp restrictions on logging, agriculture and building along the crucial salmon-supporting streams of the northern coast, the action is intended to protect a fish lionized as the spirit of the Pacific Northwest. The coho's numbers have plummeted because of

Please see COHO, A7

Continued from A1

over-harvesting, damage to the streams where they spawn, construction of dams that restrict their migration between freshwater tributaries and the ocean, and competition with hatchery-raised fish.

But officials, who plan to announce the expanded protection of the coho today, say the populations along much of the Oregon coast, which face similar assaults, will not be listed as threatened primarily because Oregon has established a protection plan approved by the National Marine Fisheries Service.

By easing restrictions in Oregon even as the federal government applies the full force of the Endangered Species Act to the Northern California coast, federal officials said the decision is intended to encourage states to act independently to protect wildlife and plants and avoid sometimes onerous federal rule-making.

"Our goal is to send a wake-up call to California that says, 'Look at what Oregon has done,'" said one administration official.

The decision also reflects an effort to defuse angry opposition to the species protection law in Congress, where opponents complain that it unfairly limits the way

property owners can use their land.

"What we are seeing here is the vast and largely untapped flexibility under the Endangered Species Act to incorporate state conservation plans into endangered species recovery," said William Stelle, regional administrator of the National Marine Fisheries Service in Seattle. "We are plowing new ground here in terms of salmon recovery. This is good for the fish and good for the endangered species program."

Coho salmon, a shimmering fish silvery blue in the ocean and often red-sided as it swims upstream to spawn and die, once provided abundant harvests for commercial fishing fleets—now banned from catching coho anywhere along the U.S. West Coast. The fish still offers a sporting challenge for anglers working rocky stream beds.

Historically it numbered as many as 1.4 million along the central and northern Oregon coast; now 80,000 native coho salmon are there, according to the fisheries office. Along the southern Oregon and Northern California coasts, where there used to be 150,000 to 400,000 coho salmon, now there are fewer than 10,000 native coho.

According to federal officials, California is being treated more

harshly than Oregon for two reasons: First, Oregon prepared a 2,700-page document outlining its salmon-protection plan while California, despite last-minute efforts, did not.

Second, stream conditions along the central and northern Oregon coast are less degraded than those to the south and, as a result, "the fish are better off there," one environmental official in California said.

The conservation action, taken in response to a federal court order, is part of a larger campaign to protect the diversity of fish in the cold, fast-running streams of the Northwest and in the northern Pacific Ocean.

In October, federal officials declared that coho salmon spawning in streams along a relatively narrow, 300-mile-long stretch of California coastline from Santa Cruz to Punta Gorda are heading toward extinction.

Today's action, however, covers a wider area—about 700 miles of shoreline and waterways up to nearly 150 miles inland—and, as a result, will have a greater economic impact on the region. Fisheries service officials said they had not determined a dollar amount.

And with the exception of restrictions protecting whales that migrate the length of the Pacific

Ocean and perhaps a decision covering owl habitat throughout the Northwest, it affects more territory than any previous measure taken under the 1973 Endangered Species Act.

Oregon's timber industry, largely exempt from the stricter limits that a "threatened" listing would bring, praised the decision. A Sierra Club staff member in California, Elyssa Rosen, however, was displeased that the California limitations would not take effect for four months.

Within the California state government, there was disagreement: Michael Kahoe, the deputy secretary of the state Environmental Protection Agency, complained that California already has a stronger conservation plan, covering more species and spending more money, than Oregon, and said Oregon's plan is based on promises of future action.

But Douglas P. Wheeler, the state Resources secretary, said the federal declaration's impact will be softened by an anticipated state-federal agreement seeking collaboration in preserving the salmon and giving the state a leading role in salmon-related timber issues.

As the reach of the Endangered Species Act continues to grow, it

has become one of the touchiest issues facing government officials.

Once a species is listed as threatened or, more severely, endangered, no federal agency can take actions that would harm it.

Thus, the U.S. Forest Service cannot allow logging that would fill stream beds with erosion-produced silt and choke its native creatures; the Army Corps of Engineers must limit the use of water, if reduced stream flows would hurt the fish, and mining permits can be withheld if leaching acid would pollute a creek.

Similarly, private land owners can be prohibited from taking actions that would harm a species facing extinction. Companies cannot mine gravel from stream beds where fish spawn, and ranchers cannot graze their cattle near streams if the animals might tromp through the waterways, disturbing deposited fish eggs. And communities cannot build roads that might let sediment flow through riparian areas.

However, the precise impact of the federal action on California is not immediately clear.

Under the salmon decision, the federal fisheries agency decided that Oregon's salmon-protection plan was sufficient to avoid listing as threatened the populations of

salmon from Cape Blanco near Coos Bay north to the Columbia River, which forms Oregon's border with Washington.

The agency is listing as threatened the salmon along the Northern California and southern Oregon coasts. But it will not apply most provisions of the Endangered Species Act to the southern Oregon segment because, Stelle said, Oregon has established "very solid" protection programs.

He said in an interview that Oregon's governor, Democrat John Kitzhaber, had conducted weekly meetings for nearly two years to develop a plan intended to bring the salmon back to health. In California, he said, Gov. Pete Wilson "started with an initiative and it petered out."

Stelle said California officials were working on the outline of an agreement with the federal agency, which could be finished as early as today. It would be the first step toward allowing California to operate its own salmon-conservation plan rather than having one imposed by the federal government.

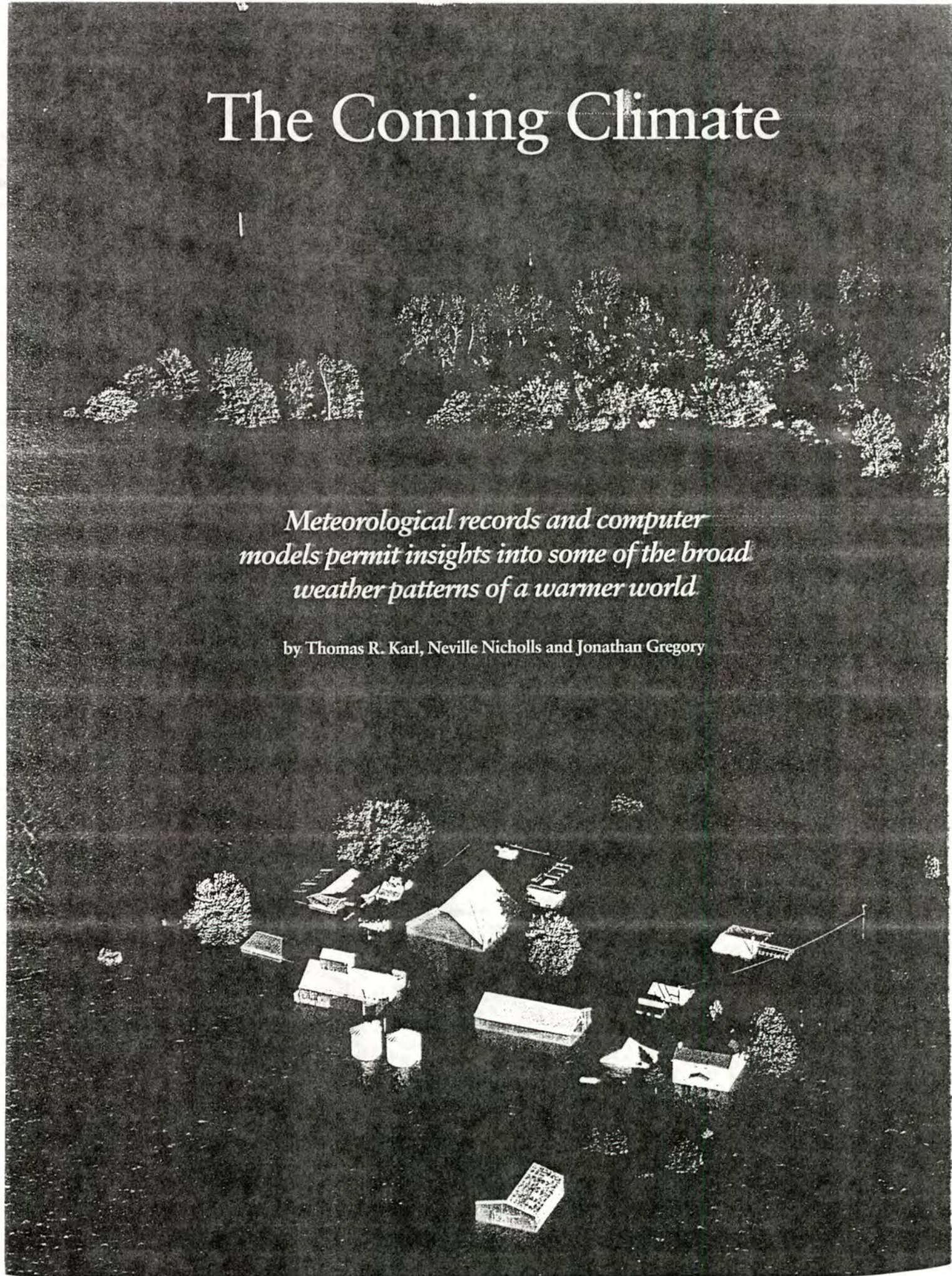
The decision takes effect 60 days after it is announced, but enforcement of its restrictions will be delayed an additional 60 days.

Times staff writer Marla Cone in Los Angeles contributed to this story.

The Coming Climate

Meteorological records and computer models permit insights into some of the broad weather patterns of a warmer world

by Thomas R. Karl, Neville Nicholls and Jonathan Gregory



Human beings have in recent years discovered that they may have succeeded in achieving a momentous but rather unwanted accomplishment. Because of our numbers and our technology, it now seems likely that we have begun altering the climate of our planet.

Climatologists are confident that over the past century, the global average temperature has increased by about half a degree Celsius. This warming is thought to be at least partly the result of human activity, such as the burning of fossil fuels in electric power plants and automobiles. Moreover, because populations, national economies and the use of technology are all growing, the global average temperature is expected to continue increasing, by an additional 1.0 to 3.5 degrees C by the year 2100.

Such warming is just one of many consequences that climate change can have. Nevertheless, the ways that warming might affect the planet's environment—and, therefore, its life—are among the most compelling issues in earth science. Unfortunately, they are also among the most difficult to predict. The effects will be complex and vary considerably from place to place. Of particular interest are the changes in regional climate and local weather and especially extreme events—record temperatures, heat waves, very heavy rainfall, or drought, for example—which could very well have staggering effects on societies, agriculture and ecosystems.

Based on studies of how the earth's weather has changed over the past century as global temperatures edged upward, as well as on sophisticated computer models of climate, it now seems probable that warming will accompany changes in regional weather. For example, longer and more intense heat waves—a likely consequence of an increase in either the mean temperature or in the variability of daily temperatures—would result in public health threats and even unprecedented levels of mortality, as well as in such costly inconveniences as road buckling and high cooling loads, the latter possibly leading to electrical brownouts or blackouts.

FLOODED FARM near the Mississippi River in 1996 illustrates one likely consequence of warming trends. Rainfall will not only increase overall, but individual events will become more intense.

Climate change would also affect the patterns of rainfall and other precipitation, with some areas getting more and others less, changing global patterns and occurrences of droughts and floods. Similarly, increased variability and extremes in precipitation can exacerbate existing problems in water quality and sewage treatment and in erosion and urban storm-water routing, among others. Such possibilities underscore the need to understand the consequences of humankind's effect on global climate.

Two Prongs

Researchers have two main—and complementary—methods of investigating these climate changes. Detailed meteorological records go back about a century, which coincides with the period during which the global average temperature increased by half a degree. By examining these measurements and records, climatologists are beginning to get a picture of how and where extremes of weather and climate have occurred.

It is the relation between these extremes and the overall temperature increase that really interests scientists. This is where another critical research tool—global ocean-atmosphere climate models—comes in. These high-performance computer programs simulate the important processes of the atmosphere and oceans, giving researchers insights into the links between human activities and major weather and climate events.

The combustion of fossil fuels, for example, increases the concentration in the atmosphere of certain greenhouse gases, the fundamental agents of the global warming that may be attributable to humans. These gases, which include carbon dioxide, methane, ozone, halocarbons and nitrous oxide, let in sunlight but tend to insulate the planet against the loss of heat, not unlike the glass of a greenhouse. Thus, a higher concentration means a warmer climate.

Of all the human-caused (anthropogenic) greenhouse gases, carbon dioxide has by far the greatest impact on the global heat budget (calculated as the amount of heat absorbed by the planet less the amount radiated back into space). Contributing to carbon dioxide's greenhouse potency is its persistence: as much as 40 percent of it tends to remain in the atmosphere for centuries. Accumulation of atmospheric carbon dioxide is promoted not only by combus-

tion but also by tropical deforestation.

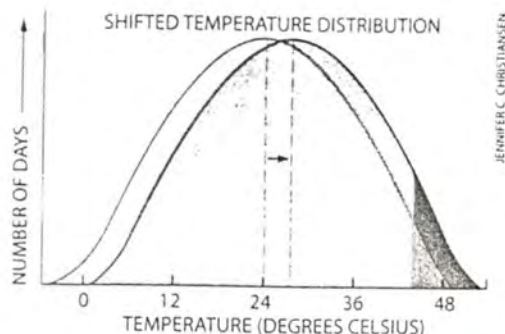
The second most influential human-caused effect on the earth's radiation budget is probably that of aerosols, which are minute solid particles, sometimes covered by a liquid film, finely dispersed in the atmosphere. They, too, are produced by combustion, but they also come from natural sources, primarily volcanoes. By blocking or reflecting light, aerosols tend to mitigate global warming on regional and global scales. In contrast to carbon dioxide, aerosols have short atmospheric residence times (less than a week) and consequently are concentrated near their sources. At present, scientists are less certain about the radiative effects of aerosols than those of greenhouse gases.

By taking increases in greenhouse gases into account, global ocean-atmosphere climate models can provide some general indications of what we might anticipate regarding changes in weather events and extremes. Unfortunately, however, the capabilities of even the fastest computers and our limited understanding of the linkages among various atmospheric, climatic, terrestrial and oceanic phenomena limit our ability to model important details on the scales at which they occur. For example, clouds are of great significance in the atmospheric heat budget, but the physical processes that form clouds and determine their characteristics operate on scales too small to be accounted for directly in global-scale simulations.

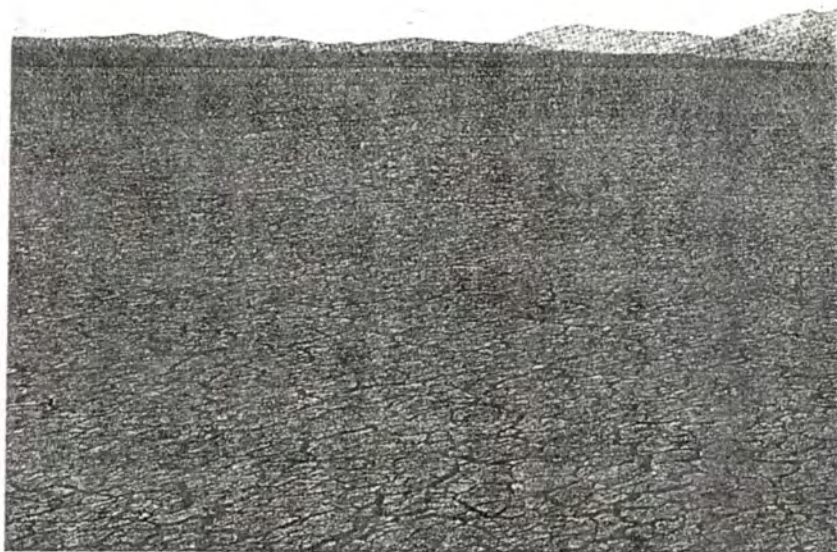
How Hot, and How Often?

The deficiencies in computer models become rather apparent in efforts to reproduce or predict the frequency of climate and weather extremes of all kinds. Of these extremes, temperature is one of the most closely studied, because of its effect on humanity, through health and mortality, as well as cooling loads and other factors. Fortunately, researchers have been able to garner some insights about these extremes by analyzing decades of weather data. For statistical reasons, even slight increases in the average temperature can result in big jumps in the number of very warm days [see top illustration on next page].

One of the reasons temperature extremes are so difficult to model is that they are particularly sensitive to unusual circulation patterns and air masses, which can occasionally cause them to



SMALL SHIFTS in the most common daily temperature cause disproportionate increases in the number of extremely hot days. The reason is that temperature distributions are roughly Gaussian. So when the highest point in the Gaussian "bell" curve moves to the right (*above*), the result is a relatively large increase (*yellow area*) in the probability of exceeding extremely high temperature thresholds. A greater probability of high temperature increases the likelihood of heat waves (*right*).



follow a trend in the direction opposite that of the mean temperature. For example, in the former Soviet Union, the annual extreme minimum temperature has increased by a degree and a half, whereas the annual extreme maximum showed no change.

The National Climatic Data Center, which is part of the U.S. National Oceanic and Atmospheric Administration (NOAA), has developed a statistical

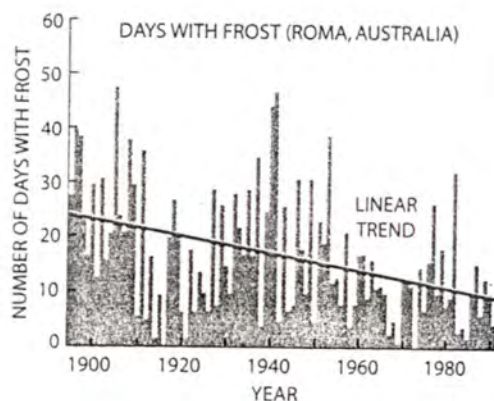
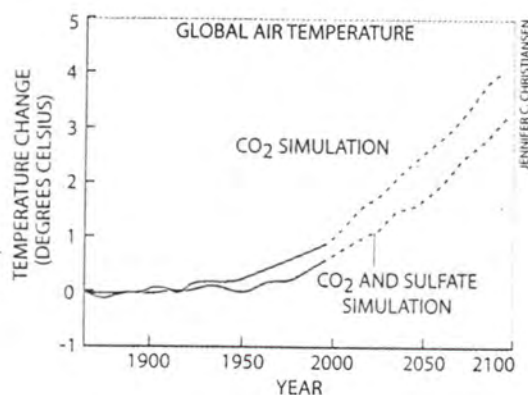
model that simulates the daily maximum and minimum temperatures from three properties of a plot of temperature against time. These three properties are the mean, its daily variance and its day-to-day correlation (the correlation is an indication of how temperatures persist—for example, how often a hot day is followed by another hot day). Given new values of mean, variance and persistence, the model will project the duration and severity of extremes of temperature.

Some of its predictions are surprising. For example, Chicago exhibits considerable variability of temperature from week to week. Even if the mean January temperature went up by four degrees C (an occurrence that may actually take place late in the next century) while the other two properties remained constant, days with minimum temperatures less than -17.8 de-

grees C (zero degrees Fahrenheit) would still occur. They might even persist for several days in a row. There should also be a significant reduction in the number of early- and late-season freezes. And, not surprisingly, during the summer, uncomfortably hot spells, including so-called killer heat waves, would become more frequent. With just a three degree C increase in the average July temperature, the probability that the heat index (a measure that includes humidity and measures overall discomfort) will exceed 49 degrees C (120 degrees F) sometime during the month increases from one in 20 to one in four.

Because of their effects on agriculture, increases in the minimum are quite significant. Observations over land areas during the latter half of this century indicate that the minimum temperature has increased at a rate more than 50 percent greater than that of the maximum. This increase has lengthened the frost-free season in many parts of the U.S.; in the Northeast, for example, the frost-free season now begins an average of 11 days earlier than it did during the 1950s. A longer frost-free season can be beneficial for many crops grown in places where frost is not very common, but it also affects the growth and development of perennial plants and pests.

The reasons minimum temperatures are going up so much more rapidly than maximums remain somewhat elusive. One possible explanation revolves around cloud cover and evaporative cooling, which have increased in many areas. Clouds tend to keep the days



GLOBAL AIR TEMPERATURE rise was simulated (*above, left*) by a climate model at the U.K. Meteorological Office's Hadley Center. The blue line is from a simulation based on carbon dioxide only; the yellow line also takes into account sulfate. As the global temperature has increased, the number of days with minimums below zero degrees Celsius has gone down. This example (*left*) shows the annual number of days with frost in Roma, Queensland, in Australia.



temperature is complex. In a warmer world, the difference of temperature between the tropics and the poles would most likely cover a smaller range, because greater warming is expected near the poles. This factor would tend to weaken storms. On the other hand, high in the atmosphere this difference would be reversed, having the opposite influence. Changes in storms could also happen if anthropogenic aerosols continue to cool the surface regionally, altering the horizontal temperature contrasts that control the location of the storm tracks.

More Precipitation

The relation between storms and temperature patterns is one of the reasons it is so difficult to simulate climate changes. The major aspects of climate—temperature, precipitation and storms—are so interrelated that it is impossible to understand one independently of the others. In the global climate system, for example, the familiar cycle of evaporation and precipitation transfers not only water from one place to another but also heat. The heat used at the surface by evaporation of the water is released high in the atmosphere when the water condenses again into clouds and precipitation, warming the surrounding air. The atmosphere then loses this heat by radiating it out into space.

With or without additional greenhouse gases, the earth takes in the same amount of solar energy and radiates the same amount back out into space. With a greater concentration of greenhouse gases, however, the surface is better insulated and can radiate less heat *directly* from the ground to space. The efficiency with which the planet radiates heat to space goes down, which means that

the temperature must go up in order for the same amount of heat to be radiated. And as the temperature increases, more evaporation takes place, leading to more precipitation, averaged across the globe.

Precipitation will not increase everywhere and throughout the year, however. (In contrast, all areas of the globe should have warmer temperatures by the end of the next century.) The distribution of precipitation is determined not only by local processes but also by the rates of evaporation and the atmospheric circulations that transport moisture.

For instance, most models predict reduced precipitation in southern Europe in summer as a result of increased greenhouse gases. A significant part of the rainfall in this region comes from local evaporation, with the water not precipitated locally being exported to other areas. Thus, in a warmer climate, increased evaporation in the spring would dry out the soil and lead to less water being available for evaporation and rainfall in the summer.

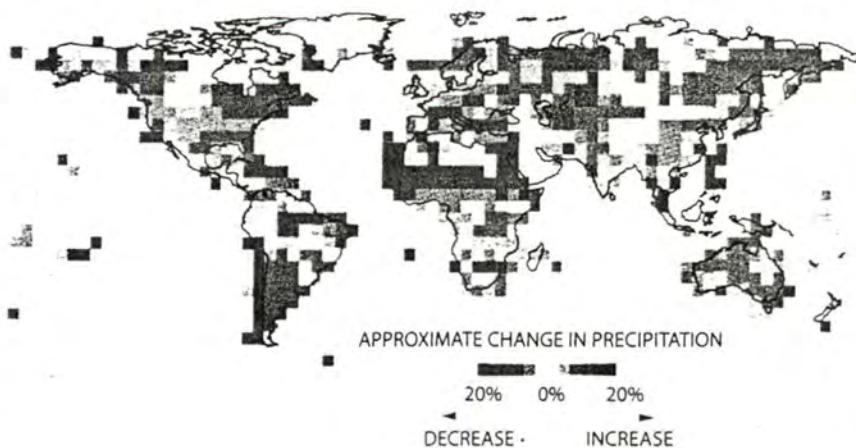
On a larger scale, most models predict an increase in average precipitation in winter at high latitudes because of greater poleward transport of moisture derived from increased evaporation at low latitudes. Since the turn of the century, precipitation has indeed increased in the high latitudes of the Northern Hemisphere, primarily during the cold season, as temperatures have increased. But for tropical and subtropical land areas, precipitation has actually decreased over the past few decades. This is especially apparent over the Sahel and eastward to Indonesia.

In northernmost North America (north of 55 degrees) and Eurasia, where conditions are normally far below freezing for much of the year, the amount of

cooler by reflecting sunlight and the nights warmer by inhibiting loss of heat from the surface. Greater amounts of moisture in the soil from additional precipitation and cloudiness inhibit daytime temperature increases because part of the solar energy goes into evaporating this moisture. More conclusive answers, as well as a prediction about whether the asymmetry in daytime and nighttime warming will continue, await better computer models.

Projections of the day-to-day changes in temperature are less certain than those of the mean, but observations have suggested that this variability in much of the Northern Hemisphere's midlatitudes has decreased as the climate has become warmer. Some computer models also project decreases in variability. The variability depends on season and location and is also tied to surface characteristics, such as snow on the ground or moisture in the soil. In midlatitudes, changes in the daily variability of temperature have also been linked to changes in the frequency and intensity of storms and in the location of the paths commonly taken by storms. These storm tracks are, in effect, a succession of eastward-moving midlatitude depressions whose passage dominates the weather.

The relation between these storms and



PRECIPITATION TRENDS between 1900 and 1994 reveal a general tendency toward more precipitation at higher latitudes and less precipitation at lower ones. Green indicates more rain; brown less.

snowfall has increased over the past several decades. Further increases in snowfall are likely in these areas. Farther south, in southern Canada and the northern U.S., the ratio of snow to rain has decreased, but because of the increase in total precipitation there has been little overall change in the amount of snowfall. In the snow transition belts, where snow is intermittent throughout the cold season, the average snowfall will tend to diminish as the climate warms, before vanishing altogether in some places. Interestingly, areal snow cover during spring and summer abruptly diminished by nearly 10 percent after 1986. This decrease in snow cover has contributed to the rise of spring temperatures in the middle and high latitudes.

Besides the overall amounts of precipitation, scientists are particularly interested in the frequency of heavy downpours or rapid accumulations because of the major practical implications. Intense precipitation can result in flooding, soil erosion and even loss of life. What change do we expect in this frequency?

Whether precipitation occurs is largely determined by the relative humidity, which is the ratio of the concentration of water vapor to its maximum saturation value. When the relative humidity reaches 100 percent, water condenses into clouds, making precipitation possible. Computer models suggest that the distribution of relative humidity will not change much as the climate changes.

The concentration of water vapor needed to reach saturation in the air rises rapidly with temperature, however, at about 6 percent per degree Celsius. So in a warmer climate, the frequency of precipitation (which is related to how often the relative humidity reaches 100 percent) will change less than the amount of precipitation (related to how much water vapor there is in the air). In addition, not only will a warmer world be likely to have more precipitation, but the average precipitation event is likely to be heavier.

Various analyses already support the notion of increased intensity. In the U.S., for example, an average of about 10 percent of the total annual precipitation that falls does so during very heavy downpours in which at least 50 millimeters falls in a single day. This proportion was less than 8 percent at the beginning of this century.

As incredible as it may seem with all this precipitation, the soil in North America, southern Europe and in sever-

HURRICANES, a kind of tropical cyclone, will probably occur in different global patterns as a result of warming; their overall incidence, however, may not change. Hurricane Andrew, shown raging here in Miami, struck the southeast coastal U.S. in 1992, causing \$30-billion worth of damage.

al other places is actually expected to become drier in the coming decades. Dry soil is of particular concern because of its far-reaching effects, for instance, on crop yields, groundwater resources, lake and river ecosystems and even on down to the foundations of buildings. Higher temperatures dry the soil by boosting the rates of evaporation and transpiration through plants. Several models now project significant increases in the severity of drought. Tempering these predictions, however, are studies of drought frequency and intensity during this century, which suggest that at least during the early stages of global warming other factors have overwhelmed the drying effects of warmer weather. For example, in the U.S. and the former U.S.S.R., increases in cloud cover during the past several decades have led to reduced evaporation. In western Russia, in fact, soil moisture has increased.

Stormy Weather

Great as they are, the costs of droughts and heat waves are less obvious than those of another kind of weather extreme: tropical cyclones. These storms, known as hurricanes in the Atlantic and as typhoons in the western North Pacific, can do enormous damage to coastal areas and tropical islands. As the climate warms, scientists anticipate changes in tropical cyclone activity that would vary by region. Not all the consequences would be negative; in some rather arid regions the contribution of tropical cyclones to rainfall is crucial. In northwest Australia, for example, 20 to 50 percent of the annual rainfall is associated with tropical cyclones. Yet the damage done by a single powerful cyclone can be truly spectacular. In August 1992 Hurricane Andrew killed 54 people, left 250,000 homeless



WARREN E. FAULKNER/Weatherlock

and caused \$30-billion worth of damage in the Caribbean and in the southeast coastal U.S.

Early discussions of the possible impacts of an enhanced greenhouse effect often suggested more frequent and more intense tropical cyclones. Because these storms depend on a warm surface with unlimited moisture supply, they form only over oceans with a surface temperature of at least 26 degrees C. Therefore, the reasoning goes, global warming will lead to increased ocean temperatures and, presumably, more tropical cyclones.

Yet recent work with climate models and historical data suggests that this scenario is overly simplistic. Other factors, such as atmospheric buoyancy, instabilities in the wind flow, and the differences in wind speed at various heights (vertical wind shear), also play a role in the storms' development. Beyond enabling this rather broad insight, though, climate models have proved of limited use in predicting changes in cyclone activity. Part of the problem is that the simulations are not yet detailed enough to model the very intense inner core of a cyclone.

The historical data are only slightly more useful because they, too, are im-



sity of hurricanes, and the total number of hurricanes has also followed suit. The years 1991 through 1994 were extremely quiet in terms of the frequency of storms, hurricanes and strong hurricanes; even the unusually intense 1995 season was not enough to reverse this downward trend. It should be noted, too, that the number of typhoons in the northwestern Pacific appears to have gone up.

Overall, it seems unlikely that tropical cyclones will increase significantly on a global scale. In some regions, activity may escalate; in others, it will lessen. And these changes will take place against a backdrop of large, natural variations from year to year and decade to decade.

Midlatitude cyclones accompanied by heavy rainfall, known as extratropical storms, generally extend over a larger area than tropical cyclones and so are more readily modeled. A few studies have been done. A recent one by Ruth Carnell and her colleagues at the Hadley Center of the U.K.

Meteorological Office found fewer but more intense storms in the North Atlantic under enhanced greenhouse conditions. But the models do not all agree.

Analyses of historical data also do not give a clear conclusion. Some studies suggest that since the late 1980s, North Atlantic winter storm activity has been more extreme than it ever was in the previous century. Over the past few decades, there has also been a trend toward increasing winds and wave heights in the northern half of the North Atlantic Ocean. Other analyses by Hans von

Storch and his colleagues at the Max Planck Institute for Meteorology in Hamburg, Germany, found no evidence of changes in storm numbers in the North Sea. In general, as with the tropical cyclones, the available information suggests that there is little cause to anticipate global increases in extratropical storms but that regional changes cannot be ruled out.

The Future

Although these kinds of gaps mean that our understanding of the climate system is incomplete, the balance of evidence suggests that human activities have already had a discernible influence on global climate. In the future, to reduce the uncertainty regarding anthropogenic climate change, especially on the small scales, it will be necessary to improve our computer modeling capabilities, while continuing to make detailed climatic observations.

New initiatives, such as the Global Climate Observing System, and detailed studies of various important climatic processes will help, as will increasingly powerful supercomputers. But the climate system is complex, and the chance always remains that surprises will come about. North Atlantic currents could suddenly change, for example, causing fairly rapid climate change in Europe and eastern North America.

Among the factors affecting our predictions of anthropogenic climate change, and one of our greatest uncertainties, is the amount of future global emissions of greenhouse gases, aerosols and other relevant agents. Determining these emissions is much more than a task for scientists: it is a matter of choice for humankind. ■

perfect. It has been impossible to establish a reliable global record of variability of tropical cyclones through the 20th century because of changes in observing systems (such as the introduction of satellites in the late 1960s) and population changes in tropical areas. Nevertheless, there are good records of cyclone activity in the North Atlantic, where weather aircraft have reconnoitered since the 1940s. Christopher W. Landsea of the NOAA Atlantic Oceanographic and Meteorological Laboratory has documented a decrease in the inten-

The Authors

THOMAS R. KARL, NEVILLE NICHOLLS and JONATHAN GREGORY were all members of the Intergovernmental Panel on Climate Change, which assessed and reported on the human impact on global climate. Karl is a senior scientist at the National Oceanic and Atmospheric Administration's National Climatic Data Center. Nicholls is a senior principal research scientist at the Australian Bureau of Meteorology Research Center. Gregory is a climate modeler at the Hadley Center of the U.K. Meteorological Office.

Further Reading

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APR 24 1997

Congress of the United States
House of Representatives
Washington, DC 20515

April 23, 1997

The Honorable William Jefferson Clinton
President
The White House
Washington, D.C. 20500

Dear Mr. President:

We are writing to urge you to take immediate action on behalf of the world's great whales. For the first time since the onset of the global ban on commercial whaling, the threat of a large scale resumption is at hand. U.S. leadership has never been more important in reversing this alarming trend.

We believe you have a critical opportunity to address this issue during the visit of Japanese Prime Minister Hashimoto this week. Japan's refusal to cease whaling within the Antarctic Sanctuary resulted in your certification of Japan under the Pelly Amendment in 1995. Your subsequent report to Congress ordered a high-level diplomatic engagement aimed at ending Japan's lethal "scientific" whaling instead of economic sanctions. However, the Japanese Foreign Minister's dismissive response to an appeal by Secretary Christopher last year points to the need for direct presidential intervention.

Since 1992, global whaling has almost tripled in spite of the International Whaling Commission moratorium. In the face of inaction by the United States, Japan and Norway are now seeking to re-open the international trade in whaling products, an action that would all but guarantee an increase in pirate whaling on the high seas.

To prevent a resumption of large-scale commercial whaling, the United States must demand an immediate reduction in and subsequent phase-out of Japan's "scientific" whaling program. Accordingly, we urge you to use this opportunity of the Prime Minister's visit to address this important conservation issue.

Thank you for your attention to this urgent matter.

Sincerely,


John Kerry


Curt Weldon

James Greenwood

George E. Brown, Jr.

Lonnie Muelle

Pete A. Taylor

Gail Wilbur

Sam Tan

Frank Pallone

Lucy Evans

Jack Metcalf

Howard L. Berman

Red Engle

Wayne T. Gilchrist

Elizabeth Jura

Paul Leahy

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THE WHITE HOUSE
WASHINGTON
April 25, 1997

✓ 5-1-97

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN HILLEY *John Hilley*
SUBJECT: WEEKLY LEGISLATIVE REPORT

House of Representatives

1. **Patent System Improvement:** On Wednesday, April 23, the House passed by voice vote the 21st Century Patent Improvement Act (HR 400). This legislation brings American patent laws in line with other industrialized nations. Opponents argued that the measure would infringe on U.S. intellectual property rights and were able to win approval of one key amendment to prevent earlier publication of patent applications:

- a. The House adopted (220--193) an amendment by Rep. Marcy Kaptur (D-OH) exempting small businesses, universities and independent inventors from the bill's provisions requiring that patent applications be made public after 18 months, regardless of whether the patent has been granted. The amendment retains current law for the exempted groups which does not require publication of the patent until the patent is issued.

The Administration supported House passage of HR 400 and is well-positioned to seek further amendments to the legislation in the Senate.

2. **Civilian Space Authorization:** On Thursday, April 24, the House passed by voice vote the Civilian Space Authorization Act (HR 1275). This measure would authorize \$13.8 billion for fiscal 1998 and \$13.9 billion in fiscal 1999 for the National Aeronautics and Space Administration; \$376 million above the President's Budget request for fiscal 1998 and \$516 million above the Budget request for fiscal 1999.

- a. The House rejected (112--305) an amendment by Reps. Roemer (D-IN) and Ganske (R-IA) to eliminate the bill's \$2.1 billion authorization for the space station in each of fiscal years 1998 and 1999, and to authorize \$500 million in FY 1998 for termination costs.

The Week Ahead

The House is expected to consider several Suspension bills and the Federal Aviation Administration Authorization Act (HR 1271). Other legislation likely to be considered includes: the Adoption Promotion Act (HR 867); a Supplemental Appropriations bill; and a Committee funding resolution.

The House may also begin consideration of the Housing Opportunity and Responsibility Act of 1997 (HR 2). This legislation proposes to overhaul public housing by shifting more control of the nation's public housing to local public housing authorities.

Senate

1. **Chemical Weapons Convention:** On Wednesday, April 23, under the provisions of the previous unanimous consent agreement reached, the Senate rejected S. Res. 75, which included all 33 conditions, by voice vote. The Senate then modified S. Res. 75 to include only the agreed to 28 conditions and proceeded to pass the resolution, as amended, by unanimous consent. On Thursday, April 24, during consideration of the 5 remaining "killer amendments":

- a. The Senate passed (66--34) the motion to strike condition 29 to the Resolution of Ratification precluding the United States from joining the Convention until Russia ratifies the pact;
- b. The Senate passed (71--29) the motion to strike condition 30 to the Resolution of Ratification prohibiting the United States from joining the Convention until countries that have been determined to have offensive chemical weapons programs have ratified;
- c. The Senate passed (66:34) the motion to strike condition 31 to the Resolution of Ratification denying nationals from a number of countries (including Cuba, Iran, Iraq, and Syria) from entering the United States as part of CWC inspection teams;
- d. The Senate passed (66:34) the motion to strike condition 32 to the Resolution of Ratification prohibiting the United States from joining the CWC until the Convention has been amended by striking Article X and rewriting Article XI to strike any provision that states or implies disapproval of trade restrictions; and
- e. The Senate passed (66--34) the motion to strike condition 33 to the Resolution of Ratification prohibiting the United States from joining the Convention unless we can certify that United States intelligence agencies have "high confidence" that we can detect any production anywhere of one ton of chemical weapons agent.

Finally, the Senate ratified (74--26; with 29 Republicans joining all Democrats in voting for ratification) the Resolution of Ratification of the Chemical Weapons Convention Treaty.

2. **Republican Agenda:** On Wednesday, April 23, the Senate Republican leadership unveiled their legislative agenda for the next six weeks leading up to the Memorial Day recess. In chronological order, the tentative agenda is as follows:

- a. Supplemental Appropriations: Initial floor action on the FY97 supplemental appropriations bill is expected around April 30. The legislation grew to \$8.4

billion on Thursday, April 24, as the House Appropriations Committee added the \$200 million in contingency funding you requested for North and South Dakota and Minnesota; however, the Committee did not include your request for \$100 million for the Community Development Block Grant. The budget authority is paid for, but the outlays will increase the deficit.

b. Late-term abortion: Action on this legislation (S. 6) is expected around May 5.

c. Comp time: The measure (S. 4) would allow businesses to give their workers a choice between receiving overtime pay or compensatory time off. The Senate is expected to turn to consideration of the measure around May 12.

d. Budget Resolution: During the week of May 19, the Senate is expected to turn to consideration of the budget resolution, setting forth spending and taxing policies, including spending caps for the Appropriations committees and providing instructions for congressional action on deficit-reduction legislation.

3. **FDR Memorial:** On Tuesday, April 22, White House Legislative Affairs met with Senator Inouye and Dorann Gunderson, the Executive Director of the FDR Memorial Commission. Senator Inouye agreed to introduce legislation on behalf of the White House which would give the Department of Interior the authority necessary to bring the additional FDR depiction to fruition.

4. **Reverse Mortgage Bill:** On Friday, April 25, the Senate passed S. 562, the Senior Citizen Home Equity Protection Act, by unanimous consent. The Administration-supported measure ensures that a recipient of a home equity conversion mortgage (known as reverse mortgages) is not charged unnecessary or excessive costs for obtaining that mortgage.

5. **Terrorism:** On Thursday, April 24, the Senate passed by unanimous consent H.R. 1225, a technical correction to the Foreign Sovereign Immunity Act. The Administration-supported correction would allow a non-citizen related to a United States citizen who is the victim of a terrorist act to bring a case in a United States court against a terrorist nation. The measure is now cleared for your signature.

6. **Volunteer Liability:** On Friday, April 25, the Senate filed cloture on the motion to proceed to S. 543, the Volunteer Protection Act. This legislation would provide protection from liability suits for volunteers, nonprofit organizations, and government entities in lawsuits regarding the activities of volunteers. While the Administration strongly supports community service and volunteerism, it opposes S. 543 for at least two reasons. First, the development of tort law has traditionally been left to the states in the exercise of their police powers and this tradition has been particularly strong with respect to volunteers, nonprofit organizations, and government entities. Second, the Administration has consistently opposed provisions, such as Section 5 of S.543, that would abolish joint-and-several liability for noneconomic damages (e.g., pain and suffering). This provision would unfairly discriminate against the most vulnerable members of our society--the elderly, the poor, and children-- whose injuries often involve mostly noneconomic losses.

The Week Ahead

While most of the schedule remain uncertain, the Senate will vote on the motion to invoke cloture on the motion to proceed to S. 543, the Volunteer Protection Act on Tuesday, April 29.

cc: The Vice-President
Erskine Bowles
John Podesta
Sylvia Mathews

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216155

THE WHITE HOUSE

WASHINGTON

April 25, 1997

(X)

✓ 5-1-97

MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale *MH*

SUBJECT: Weekly Report

Service Summit: We participated in the daily meetings leading up to the Presidents' Summit for America's Future and helped in finalizing the participation of elected officials in the Summit events. On Friday, April 25, we conducted a conference call with twenty of the state and local officials who will be attending the Summit. This provided an invaluable opportunity to review your participation and highlight the Administration's talking points and message.

We worked with the office of Governor Tom Carper, who is speaking at the plenary session on Monday morning, and coordinated with his speech writer to incorporate your message on service and civic responsibility in his address.

In a meeting with the Washington representatives of major counties at NACo Headquarters on Thursday, April 24, we asked them to be prepared to publicize the results of the Summit and to engage their counties in meaningful follow-up activities.

We have worked very closely with Mayor Rendell for the last several weeks and he is very optimistic about hosting a successful summit.

Native Americans: Lynn Cutler attended the quarterly meeting of the White House Working Group on American Indians and Alaskan Natives, which is a DPC project chaired by Secretary Babbitt.

As a result of your 1994 Executive Memorandum on Government to Government tribal relations with Native American tribal governments, many federal agencies have moved forward and implemented structures that deal with the needs of the Indian community. However, along with DPC, we are recommending that a follow-up memorandum from the Chief of Staff and Bruce Reed be distributed to all of the agencies asking for an inventory of the structures and policies that they have implemented to be responsive to Indian country.

New York City/EPA: EPA and the Justice Department took legal action this week against New York City, asserting that the City is in violation of the Safe Drinking Water Act for refusing to filter drinking water from its Croton water supply. New York State joined the federal government in the lawsuit. In January, federal officials notified New York City of their intent to file the lawsuit and began negotiations with the City. EPA plans additional negotiations to try to

reach a settlement agreement with an enforceable schedule. The choice of the site for the filtration plant is up to the City. EPA will allow reasonable time for the City to complete an objective survey of all potential sites.

New York State: HHS and OMB are meeting with New York State next week with the intention of coming to closure on its statewide health reform demonstration (1115 waiver). New York submitted its proposal in March, 1995. The State proposes to move approximately 2.7 million currently AFDC-eligible individuals and approximately 300,000 general assistance recipients from a primarily fee-for-service delivery system to a managed care environment. Once the waiver is approved, enrollment will begin in areas that have been certified by HCFA to begin operations. SSI-related populations and individuals eligible for enrollment in special needs plans are expected to be enrolled during the second year of the demonstration.

Puerto Rico: Full Self-Government Legislation The House Resources Committee completed field hearings on Chairman Young's bill. The next step is for the Administration to comment on proposals for the Commonwealth option. Young wants the Committee to act next month. Senate Energy Committee staff said that Chairman Murkowski would be likely to take up the similar Craig-Graham bill -- rather than wait for a House bill or sponsor a very different one -- and Senators Warner and Thomas endorsed it.

Investment Incentive Senators D'Amato and Moynihan said they would sponsor a tax credit similar to your proposal outlined in the budget enabling investors to take the wage-based credit as long as the islands need it.

HIV Prevention Funding The CDC agreed to reconsider discontinuing funding of community groups in the islands -- which have the third-highest AIDS increase rate in the country -- after we raised the issue with Secretary Shalala's office.

California: We are working with Karen Skelton on hosting a briefing Tuesday, April 25 for 75 members of the California Assembly. The Vice President is scheduled to drop by this briefing. Since the Los Angeles County Board of Supervisors will also be in Washington, they will join this briefing and then have a private meeting with the Vice President later in the day.

Tobacco: We faxed your statement on the tobacco case to all the Governors, Attorney Generals, and a long list of other elected officials.

216148

April 25, 1997

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig T. Smith
SUBJECT: Weekly Political Update

✓ 5-1-97
APR 25 PM 6:30

ARIZONA

A KAET-TV/Cronkite School at Arizona State University poll of 505 people conducted April 17-20 found that Republican statewide officeholders are perceived as doing a good job. Forty-five percent of those interviewed were Republicans, 41% Democrats, and 13% Independents/Others.

	Approval	Disapproval
Fife Symington, Gov. (R)	37%	63%
Jane Hull, Sec. Of State (R)	90%	10%
Grant Woods, Atty. Gen.(R)	85%	15%
Lisa Keegan, Sup. (R)	77%	23%

CALIFORNIA

Northwest Airlines Chair Al Checchi (D) spoke to the Sacramento Press Club 4/20. Checchi, who is 48, spoke on the age difference between himself and Feinstein who is 63 "There's a generational difference between us, and that probably helps a little bit." Others that have announced: Gray Davis (D), Attorney General Dan Lungren (R). State Controller Kathleen Connell (D) who was originally looking at running for Governor is now considering a run for Lt.Governor.

COLORADO

DNC Chair Governor Roy Romer and RNC Chair Jim Nicholson appeared on a PBS program recently on campaign finance reform. Romer spoke about lowering or eliminating the cost of elections and challenged Nicholson/RNC to support the McCain-Feingold Bill. Nicholson responded by saying that the Democrats are "embroiled in a scandal. There is a law on this and there are limits...but they have not abided by the law."

Governor Romer (D) is in a tough fight this week with the Republican Legislature over welfare reform. He is expected to veto the bill this week. It will require a special session if a compromise is not worked out.

Bill Eggert (R), who ran against Pat Schroeder (D) three years ago, announced that he will challenge Ben Nighthorse Campbell (R) in the Republican primary for Senate. Eggert is conservative but not considered a threat to Campbell.

FLORIDA

State Senator Rick Dantzler (D) is beginning to sound more and more like a candidate for governor, but will wait until late May or early June to make his final decision. Dantzler, who has been the Senate liaison for Governor Lawton Chiles (D) on several key issues, met with Chiles and announced-candidate Lt. Governor Buddy MacKay (D) earlier in the year to let them know of his gubernatorial interest. Dantzler and MacKay will face each other in a primary if he runs, but so far MacKay is the only candidate in either major party to have opened a campaign account.

Orlando lobbyist Dick Batchelor ended a rancorous political fight on Tuesday when he resigned from the Environmental Regulation Commission rather than face a bruising Senate reconfirmation.

GEORGIA

Rep. Saxby Chambliss (R-08) announced 4/19 that he will seek a third term, ending speculation of a run for governor. Chambliss said, "Although I see light at the end of the tunnel, my job as a U.S. Congressman is not complete."

Attorney General Michael Bowers (R) is expected to formally announce his candidacy for governor within the next 3-4 weeks. GOP leaders are trying to avoid another bruising primary like the negative campaign waged between millionaires Guy Millner and Johnny Isakson in the '96 GOP senate primary. Millner is now considering a third attempt for office, and many GOP leaders fear repeating the same losing pattern. If he does run he will not have some of his '96 consultants. Whit Ayers, Millner's '96 Senate pollster, has already committed to Bowers, and GOP consultant Tom Perdue has said he would not play the same advisory role in a Millner race for governor that he played in '96.

Michael Coles, the millionaire who challenged Speaker Newt Gingrich in 1996 has taken himself out of the Senate race leaving Democrats scrambling for a candidate. Secretary of State Lewis Massey (D) said that he will be taking another look at the race now that Coles is out. Massey says there are family considerations and he wants to talk with other potential Democratic foes to Senator Paul Coverdell (R), such as House Majority Leader Larry Walker. Massey will make his decision in about a month. Polling has shown that Governor Zell Miller would be favored to unseat Coverdell, but he has said he will not run. Leading Democrats are trying to change Miller's mind.

ILLINOIS

Illinois Republicans raised a record \$360,000 at their state party fundraiser on Wednesday with questions still circulating regarding Gov. Jim Edgar (R) potential bid for US Senate against Senator Carol Moseley-Braun. In a Republican campaign poll commissioned by Secretary of State George Ryan of 700 likely voters:

GENERAL ELECTION		FAV/UNFAV		ID
Edgar	65%	Edgar	70%/16%	98%
Mosley-Braun	22%	Ryan	67 / 7%	95%

		Moseley-Braun	28 / 47%	94%
Ryan	62%	Didrickson	14 / 4%	39%
Mosley-Braun	23%			
Didrickson	35%			
Mosley-Braun	32%			

Mayor Richard Daley unveiled an ambitious plan to mend the city's infrastructure during his annual State of the City address Wednesday night. "Neighborhoods Alive" project will focus on fixing the city's crumbling infrastructure; new streets, new alleys, new water mains, and upgrading parks, libraries, expanding community policing, and luring more businesses to city neighborhoods. The project will pump \$1 billion into the city before the year 2000, one year after the next mayoral election. The Mayor promised no new taxes.

Illinois Democratic Party Chair Gary LaPaille announced he will not seek a third term in '98. His decision means he "is avoiding a confrontation" with House Speaker Michael Madigan, who sought to "oust him from party leadership" in '95.

INDIANA

Rep. David McIntosh (R) has created a new state PAC, the Indiana Family & Freedom Committee, which will focus on education, reducing taxes and issues "which secure the God given blessings of liberty and freedom to ourselves and our children." McIntosh already has a federal PAC. He is the only Indiana official to set up a state PAC, which will allow him to take in corporate funds and unlimited personal and PAC funds. McIntosh says that he is not committed to running for the U.S. Senate in 1998. The move to start a state PAC has increased speculation that he will instead run for governor in 2000. State PAC funds can be transferred to a gubernatorial campaign committee.

KENTUCKY

A poll conducted by the *Louisville Courier Journal* 3/24-31 tested potential U.S. Senate candidates. The results follow:

	FAV/UNFAV
Rep. Jim Bunning (R)	31%/7%
Rep. Scotty Baesler (D)	25%/11%
Louisville Mayor Jerry Abramson (D)	24%/6%
Lt. Governor Steve Henry (D)	8%/2%
Louisville businessman Charlie Owen (D)	3%/2%

Reps. Bunning (R) and Baesler (D) are virtually certain to run. The others tested have yet to decide. This week, however, many Democrats began predicting that Mayor Abramson (D) will run. He is term-limited as mayor and has said that he is "50-50" about the Senate race. He is expected to announce his intentions soon after the Kentucky Derby, which will be held next Saturday in Louisville. If Abramson does run, Owen will likely defer to him and stay out.

MARYLAND

Former Governor Harry Hughes announced 4/23 he will step down as Democratic Party Chair next month. Hughes, 70, said the job demanded too much of his time and energy. Glendening tapped Peter Krauser, the party's second vice chair, to succeed Hughes.

MASSACHUSETTS

It is widely rumored that you are poised to offer the hugely popular Governor William F. Weld (R) the ambassadorship to Mexico, a job that Weld has privately indicated he may accept. Should the offer be made and Weld accept, he would abandon his job as governor halfway through his second term. The governor has been indicating he is considering running for a third term in 1998. If he leaves, Lt. Governor Paul Cellucci would become acting governor, giving him a major leg up over his GOP rival, state Treasurer Joseph Malone, who would likely challenge him in the 1998 Republican primary.

This week Rep. Joe Kennedy (D-08) apologized for mistakes he made during his first marriage, in an attempt to address questions raised about his temperament and behavior in a book written by his former wife, Sheila Rauch Kennedy. A WHDH-TV poll, conducted 4/18-19 by Mason-Dixon/PMR, surveyed 437 likely voters showed that Kennedy's annulment controversy has influenced voters.

General Election Match-Ups

Weld	56%	Weld	56%	Weld	66%
Kennedy	37%	Harshbarger	34%	Flynn	24%
Kennedy	45%	Harshbarger	48%	Cellucci	41%
Cellucci	40%	Cellucci	29%	Flynn	26%
Kennedy	42%	Harshbarger	41%	Malone	42%
Malone	37%	Malone	34%	Flynn	24%

Effect of Annulment Controversy on Gov. Vote

Less likely to support Kennedy	28%
More likely to support Kennedy	7%
No effect	62%

The Kennedy family is now facing another controversy involving Michael Kennedy, son of the late Senator Robert F. Kennedy. Kennedy, head of Citizens Energy Corp., the nonprofit group founded by his brother, Rep. Joe Kennedy. Joe ran his uncle, Senator Edward M. Kennedy, 1994 reelection fight, and has himself considered running for Congress or statewide office. Kennedy became involved with a young woman, now a 19-year-old college freshman, when she was 14. The girl was a baby sitter for Michael Kennedy and his wife Victoria Gifford Kennedy for seven years. The continuation of the relationship was apparently the trigger to the Kennedys' announcement last week that they separated after 16 years of marriage. Kennedy did not return several requests for comments.

NEW JERSEY

Senator Frank Lautenberg's (D) '94 campaign agreed to pay \$20,895.40 to the FEC after acknowledging that it accepted illegal campaign contributions, including union and corporate donations. The FEC settlement also includes a \$9,500 civil fine for accepting illegal contributions and violating rules on campaign spending.

NEW MEXICO

New Mexico environmental groups endorsed Corp. Commissioner Eric Serna (D) over Green Party nominee Carol Miller. Leaders from the Sierra Club and the Conservation Voters Alliance (CVA) expressed that Serna's enviro record was "as good or better than Miller's."

NEW YORK

A poll of 917 registered voters surveyed 4/14-20 and conducted by the Quinnipiac College and a poll of 711 likely voters conducted by Zogby International both found D'Amato's job approval rising slightly, and his general election matchups improving also.

General Election

	<u>Zogby</u>	<u>Quinnipiac</u>	<u>3/97</u>
Green	39%	40%	47%
D'Amato	30%	41%	35%

	<u>Zogby</u>	<u>Quinnipiac</u>	<u>3/97</u>
Schumer	37%	39%	43%
D'Amato	31%	40%	36%

	<u>Zogby</u>	<u>Quinnipiac</u>	<u>3/97</u>
Ferraro	46%	54%	55%
D'Amato	27%	35%	34%

	<u>Quinnipiac</u>	<u>3/97</u>
A. Cuomo	48%	--
D'Amato	36%	--

GOP Primary

D'Amato	42%
McCaughey	20%
Not sure/other	39%

D'Amato Job Rating

	<u>Now</u>	<u>3/97</u>
Approve	42%	40%
Disapprove	47%	50%

With Rep. Charles Schumer (D) announcing his run for Senate, two big battles are shaping up. One is the fight within the Democratic Party to replace him. Contenders include

Assemblyman Melinda Katz, Councilman Anthony Weiner, and two politically conservative Orthodox Jews, Assemblyman Dov Hikind and City Councilman Noach Dear. Both Hikind and Dear are well-known fundraisers, but there is some doubt whether they have enough appeal in a centrist/liberal district. The other big political battle is the court-ordered redrawing of the 12th CD. Schumer's CD, the 9th, borders that of the 12th CD incumbent, Nydia Velazquez (D). With no incumbent to protect the turf, Velazquez could pick up more of Queens without taking anything away from an incumbent.

Lt. Governor Betsy McCaughey Ross (R), who was dropped from Governor George Pataki's (R) '98 reelection ticket, confirmed that she has hired consultant Thomas Slater to help assess her options. Slater was Steve Forbes' political director in his '96 presidential run. Ross says it is unlikely she will try to hold onto the position of Lt. Governor, challenge Rep. Carolyn Maloney (D-14), and all but ruled out a retaliatory run against Pataki. That leaves several options, most notably, a primary challenge to Senator Al D'Amato. *The New York Times* reported Ross said she was more likely to run for a legislative position than a second term as Lt. Governor.

Geraldine Ferraro (D) has not yet announced her plans for the future. Ferraro said, "When candidates get in the race too early, they divert attention from the local elections. If I decide to run [for Senate], the announcement will not be made until after the ['97] elections." Ferraro attributed her '92 senate primary loss to inadequate fundraising which she also believes is one of the federal government's biggest problems.

NORTH CAROLINA

A recent Public Opinion Strategies (R) poll shows Senator Lauch Faircloth (R) with approval ratings 10-15 points higher than a year ago. Faircloth's press secretary, Peter Hans attributes the increase to the fact that he has become more effective, more focused, and more influential. Faircloth claims he has also learned the need to respect the President, rather than continually criticizing the President.

Public Opinion Strategies Poll 4/20/97

Faircloth approval rating	51%
Faircloth disapproval rating	24%

Internal Democratic Poll 12/96

Approval	36%
Disapproval	31%

This week the North Carolina Senate unanimously passed a bill called the "Stand By Your Ad Law," that would require state-wide candidates to more prominently claim responsibility for their ads. This bill would require the candidate to appear in the TV ad, full screen, and say: "I am (candidate's name), a candidate (for office), and I (or my campaign) sponsored this ad." On print ads, the written disclosures would have to take up at least 10% of the ad. There are similar requirements for radio ads and for political mailings of 500 pieces or more. The law would only apply to state-wide candidates. Congressional races are exempt.

OREGON

A Portland OREGONIAN poll, conducted April 1-16 by Davis and Hibbits, surveyed 600 likely voters regarding the favorability rating of their Senators. Senator Wyden is seeking a

second term in 1998.

	Fav/Unfav
Ron Wyden	56%/19%
Gordon Smith	52 / 24

Additionally, the poll tested the favorability of Governor John Kitzhaber (D), and showed a 58% favorable/27% unfavorable.

RHODE ISLAND

Secretary of State James Langevin (D) is holding a fundraiser 4/30, sparking speculation he may be interested in running for something other than reelection, possibly governor. In a letter to lobbyists soliciting money for the event, Langevin gave no hint at what office he might be seeking. From the invitation: "We have revolutionized the Office of Secretary of State. Now it's time to lay the groundwork for the many exciting opportunities we have to look forward to in the future." Governor Lincoln Almond (R) is expected to run for reelection.

TENNESSEE

Millionaire Clayton McWhorter (D) is still "ambivalent" about the idea of challenging Gov. Don Sundquist (R). Other potential Democratic challengers are Nashville Mayor Phil Bredesen, businessman Olan Mills, Representative Bob Clement (D), Representative John Tanner (D), Tennessee Democratic Chair Houston Gordon, ex-state House Majority Leader Bill Purcell.

Jeff Dye, the ED of the Tennessee Democratic Party, died this week of an apparent seizure. He was only 27 years old.

TEXAS

Gephardt. In Austin this weekend, Minority Leader Dick Gephardt is scheduled for a meet and greet discussion with 25-30 key Hispanic electeds and opinion leaders. The purpose of the meeting is to discuss legislative proposals before Congress that are important to the Hispanic community. Minority Leader Gephardt also has a fundraiser in Austin this weekend. Land Commissioner Garry Mauro is on the host committee.

Hispanic Vote. The April 22 *Wall Street Journal* article on the battle between the political parties for the Hispanic vote quotes Alex Castellano, a Cuban-born GOP media consultant who worked for Bob Dole's presidential campaign, stating that if Republicans don't improve their standing with Hispanics, "there's no chance for Texas to remain a Republican state" over the long term. Currently, about 25% of the state's population is Hispanic. The approaches used by Democratic and Republican candidates to court Hispanic voters will play out in the Houston mayoral race.

Houston mayoral race. The *Houston Chronicle* reported that Rob Mosbacher (R), a Spanish-speaking oil executive, raised \$1.1 million at an April 23 fundraiser, the largest amount raised at any single event in Houston's mayoral campaign history. Mosbacher backs

continuation of affirmative action programs. Conservative activists are pushing a petition campaign to place an affirmative action rollback on the November ballot.

New Texas Pac. The Texas League of Conservation Voters (LCV) announced the formation of a new PAC that is modeled after the national LCV. The TX LCV endorses candidates, while the national LCV does not. An honorary steering committee includes rock musician Don Henley and ex-Rep. John Bryant (D).

Primaries. The Texas House voted to move primaries to the second Saturday in May with runoffs in June starting in 1998, not 2000 as previously reported. The bill goes to the Texas Senate where it is also expected to pass. Both parties favor moving the primaries to May, thereby shortening the campaign seasons and campaign costs.

Redistricting. A redistricted Texas map slightly shifting thirteen (13) congressional district seats in Houston and Dallas was passed by a Texas Senate committee. A final vote in the Senate is expected next week.

Bush tax plan. The Texas House approved a measure, 114-35, to place a proposed constitutional amendment on the August 7 statewide ballot for a \$4 billion tax plan that increases sales and business taxes for the next two years, keeping a property tax-relief proposal alive. The Senate must approve the amendment with a 2/3 majority to place it on the ballot. The House considers a companion bill on April 24 to "cut residential school property taxes in half and business property taxes by one-third. (*Dallas Morning News*, 4/24). The Bush tax plan was targeted by three out of state anti-tax groups airing ads on radio on 100 radio stations throughout last weekend.

WASHINGTON

Senator Minority Leader Sid Snyder (D) resigned from office last Saturday after a heated floor budget battle where he felt "the GOP majority manipulated parliamentary rules to suit their needs." Snyder has been a Democratic leader in the Senate for 50 years.

WISCONSIN

Rep. Mark Neumann (R) urged members of Lutherans for Life to sign petitions to recall Democratic Senators Russ Feingold and Herb Kohl to "send a message" on late-term abortions. Neumann said it is "highly likely" that he will challenge Feingold.

HISPANIC VOTE

The ten percent increase in the Hispanic vote reflected in the 1996 elections, the first Hispanic speaker of the California Assembly, and the historic Hispanic voter turnout surpassing African American turnout in the '97 Los Angeles mayoral elections have been making news. An April 22 *Wall Street Journal* article stated how the Democratic and GOP Parties are jockeying for Hispanic voters. Some Democrats and Republicans are intensifying their Hispanic voter outreach programs with political and communications teams. Recently, the Christian Coalition approached a Hispanic DNC staffer with a \$60,000 position to do Hispanic outreach and communications for their urban strategy program. The *Wall Street Journal* reported that Newt

Gingrich (R) has hired a Hispanic press aide to communicate with Spanish-language media, and Governor Christine Todd Whitman (R) is courting the Puerto Rican key opinion leaders with a trade mission to Puerto Rico.

Additionally, Minority Leader Gephardt's (D) office is considering the addition of a top Hispanic aide to round out their labor (Marta David) and African American (Fred Humphries) outreach efforts. The National Republican Hispanic Assembly--the RNC's Hispanic Caucus--is talking to consultants about a Hispanic voter outreach program in California.

In 1996, Hispanics were energized to vote partly because of Proposition 187. While the Administration signed onto the welfare and immigration legislation and called for a restoration of benefits for legal immigrants, many liberal and Hispanic elected officials are closely watching the Administration's follow through. Gephardt voted against the legislation cutting benefits from legal immigrants.

DLC

Linda Moore and I met with DLC and PPI senior staff members and the Administrative Assistants to DLC members in the House to discuss the political landscape and the Administration's legislative agenda. The DLC will hold it's annual retreat next weekend in Charleston, South Carolina. Linda Moore, Bruce Reed, Elaine Kamarck, David Strauss, Doug Sosnik, Gene Sperling, Mark Penn and I plan to attend.

cc: The First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Sylvia Matthews
Doug Sosnik
Rahm Emanuel
Maria Echaveste
Kitty Higgins
Marcia Hale
Bruce Reed
Gene Sperling
Mike McCurry
John Hilley

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THE WHITE HOUSE
WASHINGTON

April 19, 1997

Went to
POTUS
4/19/97
— Deb

MR. PRESIDENT:

Attached are the following weekly information items:

- (A) Interest Rates and the Stock Market ✓
- (B) CEA Weekly Economic Briefing ✓
- (C) DPC Report ✓
- (D) Emanuel Report ✓
- (E) CEQ Report ✓
- (F) Legislative Report ✓
- (G) Cabinet Report *Filed Separate*
- (H) Intergovernmental Report (2 reports -- last week and this week) ✓
- (I) Political Report —

✓ — logged out

Phil Caplan
Phil

RM -

Discard

what you don't
need.

Barbara

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'97 APR 18 PM 8:26

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500



215190

April 18, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: JEFFREY A. FRANKEL

✓ 4-21-97

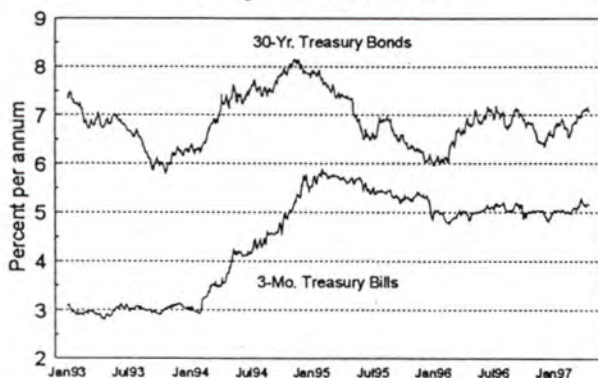
SUBJECT: Interest Rates and the Stock Market, Week Ending April 18, 1997

Long-term interest rates fell sharply this week; short-term rates were essentially unchanged. Most of the decline in long-term rates took place immediately following the release of lower-than-expected March CPI inflation on Tuesday. Long-term rates also drifted lower over the remainder of the week. Evidence from the Fed funds futures market implies that the market sees some chance of another tightening at the May meeting of the FOMC.

	Close 4/11/97	Close 4/18/97	Change
3-month bills	5.17	5.15	- 0.02
10-year notes	6.98	6.84	- 0.14
30-year bonds	7.17	7.06	- 0.11

The stock market rose strongly this week. The Dow Jones Industrial Average closed Friday at 6703.55, up 4.9 percent from last Friday. The Dow has rebounded from its fall over the previous two weeks but is still well below the record it set in early March. The broad-based S&P 500 index closed at 766.34, up 3.9 percent. The Nasdaq Composite Index closed at 1222.57, up 1.3 percent.

Daily Interest Rates



Dow Jones Industrial Average



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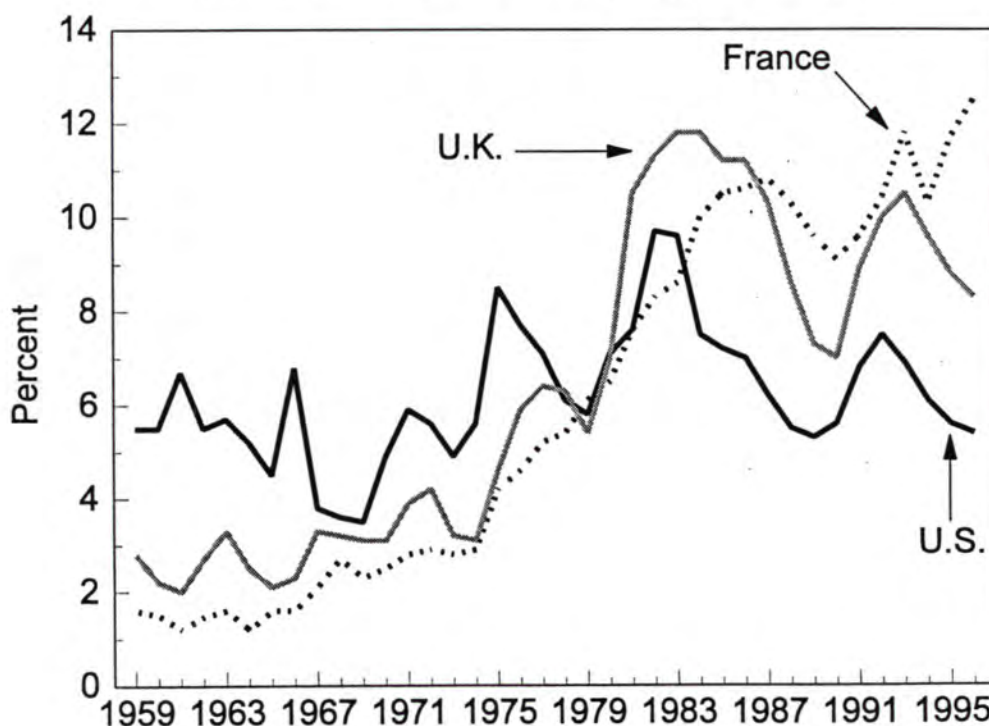
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

April 18, 1997

CHART OF THE WEEK

U.S. and European Unemployment Rates



The United States has a lower unemployment rate than nearly every European member of the OECD. The unemployment rate for OECD Europe as a whole now stands at 10.5 percent, and several countries—including France, Germany, Italy, Norway, and Sweden—have hit their highest level in at least 45 years during the past 12 months. Almost a quarter of the labor force is unemployed in Spain. A few countries that have instituted labor market reforms, including the UK, have seen their unemployment rate start to come down. An article in this *Weekly Economic Briefing* discusses why unemployment is so high in Europe.

CONTENTS

TREND

The Housing Market	1
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SPECIAL ANALYSES

Welfare Reform and the Unemployment Insurance System	2
Economic Growth and Environmental Quality	4

ARTICLE

Why Is Unemployment So High in Europe?	5
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DEPARTMENTS

Business, Consumer, and Regional Roundup	7
International Roundup	8
Releases	9
U.S. Economic Statistics	10
Financial and International Statistics	11



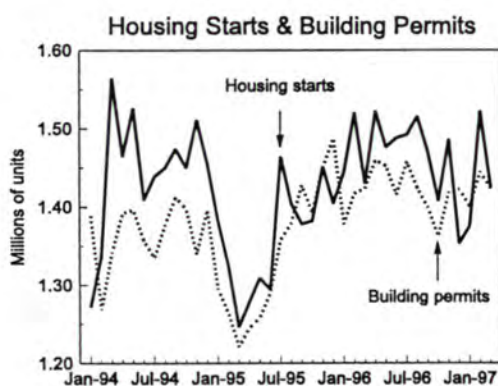
"I'm sorry I'm late for my audit ... I was abducted by aliens and they confiscated my records ..."

TREND

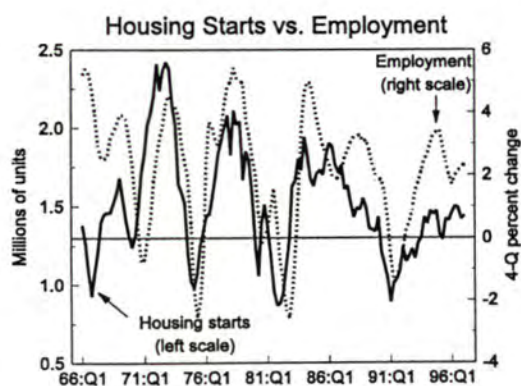
The Housing Market

Homebuilding is a highly cyclical sector, accounting for a disproportionate share of GDP fluctuations. It is also one of the key interest-sensitive sectors affected by monetary policy.

Which measure? Each month brings a flurry of housing statistics, including permits, starts, sales of new homes, and sales of existing homes. Of these,



permits are the most reliable short-run indicator. They are more stable, less affected by bad weather, and more forward-looking than starts. Housing starts, however, directly affect the pace of construction and hence GDP. They also have broader geographic coverage than permits. Housing starts in the first quarter rose to a 1.45-million-unit annual pace, about the same as for 1996 as a whole (see upper chart). Although new home sales may be the clearest expression of demand for housing, initial estimates are subject to substantial revision. Sales of existing homes have little effect on GDP.



Analysis. Over the short and intermediate run, housing demand and economic activity are closely related (see lower chart). Interest rates also matter, but the correlation is weaker. Over periods of decades, demographic factors like the rate of household formation tend to assert themselves. Many experts believe that these factors argue for a pace of housing starts of about 1.3 to 1.4 million units per year, slightly below the current pace.

Conclusion. In the near term, solid rates of growth of employment and income are likely to support homebuilding activity near recent levels. Interest rates, however, have risen recently and may start to exert a damping influence.

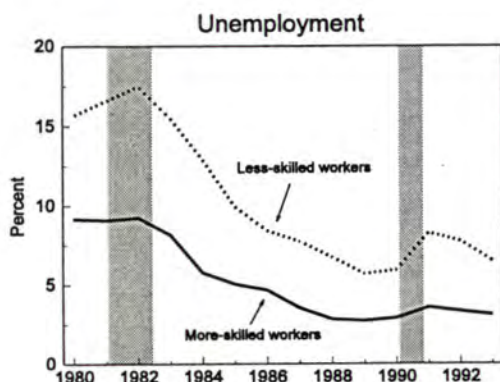
SPECIAL ANALYSIS

Welfare Reform and the Unemployment Insurance System

With hundreds of thousands of less-skilled workers likely to enter the workforce under welfare reform, the unemployment insurance (UI) system will take on increased importance as a safety net program.

Employment prospects for welfare recipients. The new welfare law has put time limits on receipt of benefits—2 years for a single spell without work and 5 years for lifetime receipt. States have some discretion, however, and many have chosen narrower limits. Thus, many people who may have relied on welfare in the past will now have to find work.

The employment experiences of similar less-skilled workers may provide a useful indicator of how former welfare recipients will fare when they enter the labor market. Like other low-skilled workers, welfare recipients are more likely to be high school dropouts and to score relatively poorly on standardized tests compared with other workers. For example, in a sample of roughly 10,000 individuals from the 1957-1964 birth cohort, almost half of those who received welfare for 3 or more years between 1980 and 1993 fell in the bottom 25 percent of the distribution on a standardized exam of aptitude/achievement.



The chart shows the unemployment rate between 1980 and 1993 for less-skilled and more-skilled workers from the 1957-1964 birth cohort. Both groups saw their unemployment rate drop over time as they gained work experience. But the unemployment rates of the less-skilled were both higher and more sensitive to recessions. This evidence suggests that welfare recipients could exhaust their lifetime benefits over the course of one lengthy recession.

Welfare reform and UI. The UI system could provide additional protection. UI benefits are available to job losers with a sufficient work history (job leavers are generally not eligible). Although the specific rules differ among states, the minimum work requirements are not that stringent. For instance, a minimum-wage worker who had been employed 30 hours per week for 6 to 9 months would be eligible in most states. The amount and duration of benefits also vary among states, but such a worker would typically receive about \$75 a week for up to 6 months (potentially longer in a recession). These benefits are roughly comparable to the maximum monthly welfare benefit for a family of three in many states.

Implications for the UI system. The additional inflow of low-skilled workers into the UI system resulting from welfare reform raises issues regarding program funding and design. The system is funded by a tax on employers that is imperfectly experience-rated. Firms that lay off more workers pay more into the system, but only up to a point. To the extent that welfare recipients get hired by firms that are already paying the maximum tax rate, the number of potential UI recipients will go up, but no additional funding will be generated. Other issues of program design—including the relatively high UI tax on low-wage workers and the adequacy of the trigger for extending benefits during a recession—will be addressed in a future *Weekly Economic Briefing*.

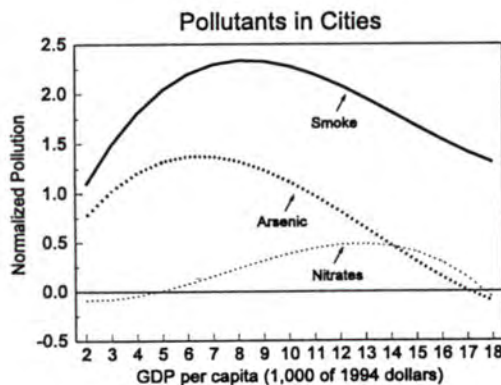
SPECIAL ANALYSIS

Economic Growth and Environmental Quality

Does an ever-richer economy create an ever-poorer environment? Evidence suggests not; with the right policies, environmental quality can improve even as growth continues.

An inverted U. Several recent statistical studies have found that, for many environmental indicators, the relationship between economic growth and environmental quality seems to have an inverted-U shape. For low levels of income, environmental quality deteriorates as income rises, but, beyond a certain point, further increases in growth are associated with improving environmental quality. These improvements presumably do not occur spontaneously. As a nation gets richer, it imposes tighter environmental regulations because its citizens demand more environmental quality. To a much lesser extent, richer nations may also reduce their own pollution by importing “pollution-intensive” goods rather than producing them at home.

One study found this pattern in cross-country data for a number of air and water quality indicators, including smoke, arsenic, and nitrates. The exact turning point



varied from one environmental indicator to another, but it tended to be at a per capita income of about \$6,000 to \$13,000 (see chart). Other studies have revealed a similar pattern for sulfur dioxide, particulate matter, oxides of nitrogen, carbon monoxide, and deforestation.

In 1994 Chile, Malaysia, and Mexico were countries with per capita incomes in the \$6,000 to \$13,000 range where pollution stops rising and starts turning down. China, Indonesia, and Turkey had lower per capita income. Some richer nations over the hump included Australia, Canada, and the United States.

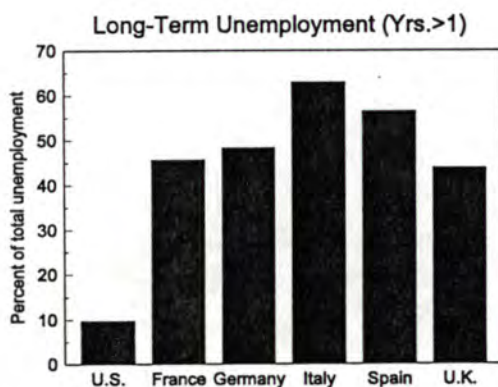
What about greenhouse gases? Greenhouse gas emissions do not yet show an inverted-U pattern. Emissions are still worsening with economic growth even in many prosperous countries. This may be a case where the effects of emissions are not felt directly enough by the emitters to call forth a response. Since each country alone can do little because of the classic free-rider problem in the global commons, all nations will have to work together as they reconsider their development strategies.

ARTICLE

Why Is Unemployment So High in Europe?

The trends in European unemployment discussed in the Chart of the Week are not just a business cycle phenomenon. They reflect underlying structural problems. In a few countries, improvements in employment creation following major structural reforms suggest, however, that rising unemployment is not inevitable.

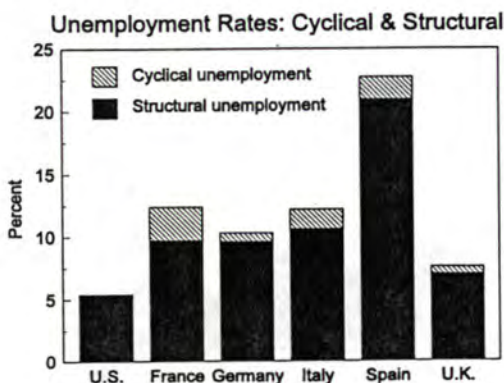
Background. The contrast between job creation in Europe and in the United States is stark. Between 1980 and 1995, employment grew by more than 25 million in the United States, with most of the new jobs in the private sector. Over the same period, employment in OECD Europe grew by only 10 million, almost all of which came from the public sector. Three features of European unemployment are particularly troubling:



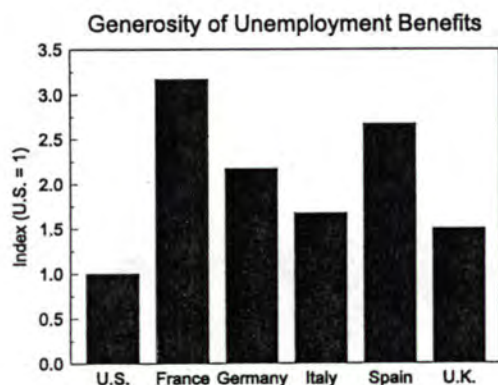
- **Dispersion.** Unemployment is spread very unevenly, with high unemployment rates for young workers and large regional disparities.
- **Duration.** Long-term unemployment is substantially larger for many European countries than it is for the United States (see upper chart). Even countries with unemployment rates not much higher than ours have substantially larger fractions of long-term unemployment.

- **Participation.** Compared with the United States, a larger fraction of the working-age population is not even in the labor force in Europe. In France, for example, the labor force participation rate was 55 percent in 1995, 11 percentage points lower than that of the United States.

Structural unemployment. Several episodes of contractionary macroeconomic policy, most recently the tight monetary and fiscal policies undertaken to meet the Maastricht criteria for monetary union, have contributed to rising unemployment. But the bulk of European unemployment is structural (see lower chart). Compared with the United States, where the unemployment rate falls relatively quickly once contractionary policies are relaxed, unemployment in Europe tends to persist



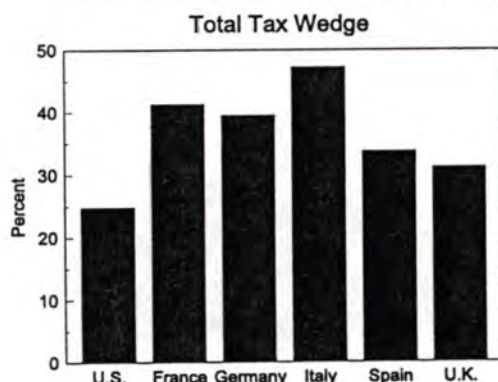
even after macroeconomic policy becomes looser. Three impediments to labor market flexibility may be at work:



- Insider protection. Employment-protection legislation and strong labor unions provide “insiders” with long-term contracts that protect against wage erosion and dismissal. This discourages firms from hiring workers in the first place. And it concentrates the costs of adjustment among young, immigrant, and part-time workers, as well as others who lack insider protection.

- Generous unemployment benefits. Unemployment benefits are substantially more generous than they are here in terms of amount, coverage, and duration (see upper chart). This not only creates a disincentive for unemployed workers to look hard for jobs, but it also increases the bargaining power of insiders by strengthening their fall-back position. The duration of unemployment benefits may be one of the most important determinants of aggregate unemployment.

- Employment costs. The statutory minimum wage and taxes (social insurance and income) are higher in many European countries than they are in the United States.



In France, for example, the statutory minimum wage is 55 percent of the average manufacturing wage. This compares with about 40 percent in the United States once the latest increase is fully phased in. The tax wedge measuring the difference between the compensation paid by the firm and the after-tax wage received by the worker is also substantially higher in Europe than it is here (see lower chart).

Implications. Although many countries in Continental Europe have taken some steps to liberalize their labor markets, most have not addressed any of the three fundamental impediments to labor market flexibility. (France, for example, has reduced employment protection for part-time workers and tightened rules governing eligibility for unemployment benefits.) The unemployment rate has come down, however, where countries have pursued more sweeping reforms—reducing employment protection legislation (the UK), cutting the level or duration of unemployment benefits (Ireland, the Netherlands, and the UK), substantially reducing the minimum wage (the Netherlands and the UK), and reducing the tax wedge (the Netherlands).

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Birth Rate is Lowest Since 1978. The birth rate fell 2 percent, to 15.2 per thousand total population in 1994. This is the lowest rate since 1978, and provisional National Center for Health Statistics (NCHS) data indicate that the rate fell by about 2 percent in 1995 as well. The falling birth rate is attributable to declining fertility rates, as well as demographic shifts. The proportion of women aged 20 to 34—the ages when more than three-quarters of births occur—has been falling. Both the birth and abortion rates for teenagers continued to fall. (The falling birth rates, however, are not enough to offset growth in the number of teenaged women, hence total births to teenagers are rising). The report also showed that use of pre-natal care increased among all age and racial and ethnic groups, with the largest increases among those with the lowest levels of care. Unfortunately these increases were not enough to reverse the upward trend in the incidence of low birthweight babies, although this incidence did improve somewhat among black mothers. Finally, babies continue to prefer to enter the world on Tuesdays.

Another Baby Bell Tries to Be the First to Enter the Long-Distance Market. SBC, the Oklahoma-based company formerly known as Southwestern Bell, is trying to become the first Regional Bell Operating Company (RBOC) to be allowed into the long-distance market under the 1996 Telecommunications Act. To be allowed in the long-distance market, Baby Bells must submit an application to the FCC and show that they have agreed to “interconnect” with other providers in their local market (a prerequisite for more competitive local-telephone-service markets). Earlier this year, another RBOC (Ameritech) withdrew its application after the FCC determined that it had not provided adequate evidence that it had the necessary interconnection agreements. Similar allegations have surfaced regarding SBC. If the company’s application overcomes this hurdle, the telecommunications world will be watching to see how much discretion the FCC has under the Telecommunications Act in determining whether a Baby Bell’s entering the long-distance market is in the “public interest.”

Women-Owned Businesses Flourish. Over 15 percent of U.S. businesses with employees are owned by women, and women own another 19 percent of such businesses jointly with men, according to recent results from the Census Bureau’s Survey of Business by Gender of Ownership—the first survey focusing on women-owned businesses. The report also suggests that the proportion of businesses owned by women has been growing. Nearly 20 percent of firms established between 1991 and 1994 were women-owned, compared to 12 percent of those established before 1980. Not surprisingly, businesses owned by women tended to be younger than the average business. The survey did not confirm worries that the expansion of such businesses is thwarted by poor access to credit. Compared with male-owned businesses having similar characteristics, women-owned businesses had no more difficulty gaining access to credit and tended to use the same sources of credit. In addition, they had similar plans for expansion.

INTERNATIONAL ROUNDUP

Business Confidence Rises Among Japanese Manufacturers. For the first time since late 1991, the Bank of Japan TANKAN survey shows that principal manufacturing companies regard Japanese business conditions as “favorable.” Nonmanufacturing and small manufacturing enterprises, by contrast, continue to rate business conditions as “unfavorable.” In fact, the business confidence of nonmanufacturing industries was lower in the most recent (March) survey than it was in November 1996. A possible explanation for the division within the Japanese business community is that principal manufacturing enterprises are more export-oriented and expect to benefit from a weaker yen.

WTO Report Indicates World Trade Slowdown in 1996. Last year, the volume of world merchandise trade grew about 4 percent, after growing 8.5 percent in 1995 and about 10 percent in 1994. The deceleration last year was much greater than was forecast by any of the leading analysts. Substantially lower growth in both Asian exports and Asian imports were a significant contributing factor. In many Asian countries (including China and Japan), growth in trade lagged behind growth in GDP—a striking reversal of the usual pattern. In Japan, export growth was negative in 1996. In the United States, by contrast, merchandise export and import growth exceeded the world growth rate in 1996. In nominal dollar terms, U.S. merchandise exports grew 6.8 percent, while imports grew 6.1 percent.

Emerging EU Rift over New Central Bank. Reports that the French government may propose its own candidate for the presidency of the European Central Bank (ECB) are reported to have received a cool reception from German and Dutch officials. The current front-runner for the ECB post is Wim Duisenberg of the Netherlands, who will take over the Presidency of the European Monetary Institute this summer. The Institute is the precursor organization to the proposed ECB. French officials have publicly criticized the statutory independence of the ECB, and Duisenberg’s perceived devotion to conservative banking principles and central bank independence may make him unpalatable to France. Some German media reports claim that the French will propose Michel Camdessus, the managing director at the IMF, instead of Duisenberg. Meanwhile, the current President of the European Monetary Institute, Alexandre Lamfalussy of Belgium, warned against any delay of monetary union.

RELEASES THIS WEEK**U.S. International Trade in Goods and Services**

According to revised estimates the goods and services trade deficit declined to approximately \$10.4 billion in February from \$12.7 billion in January.

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production increased 0.9 percent in March. Capacity utilization increased 0.5 percentage point to 84.1 percent.

Housing Starts

Housing starts decreased 6 percent in March to 1.43 million units at an annual rate.

Consumer Price Index

The consumer price index increased 0.1 percent in March. Excluding food and energy, consumer prices increased 0.2 percent.

MAJOR RELEASES NEXT WEEK

There are no major releases scheduled for release.

U.S. ECONOMIC STATISTICS

	1970- 1993	1996	1996:2	1996:3	1996:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.1	4.7	2.1	3.8
GDP chain-type price index	5.3	2.1	2.2	2.0	1.9
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.9	0.6	0.0	1.1
Real compensation per hour:					
Using CPI	0.6	0.4	0.5	0.7	0.2
Using NFB deflator	1.3	2.2	2.0	2.0	2.7
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.4	10.3	10.6	10.6
Residential investment	4.5	4.1	4.2	4.1	4.1
Exports	8.2	11.3	11.3	11.1	11.5
Imports	9.2	12.6	12.6	12.7	12.6
Personal saving	5.1	3.6	3.2	3.9	3.8
Federal surplus	-2.7	-1.7	-1.7	-1.6	-1.4
	1970- 1993	1996	Jan. 1996	Feb. 1997	Mar. 1997
Unemployment Rate	6.7**	5.4**	5.4	5.3	5.2
Payroll employment (thousands)					
increase per month			259	293	175
increase since Jan. 1993					11926
Inflation (percent per period)					
CPI	5.8	3.3	0.1	0.3	0.1
PPI-Finished goods	5.0	2.8	-0.3	-0.4	-0.1

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1995	1996	Feb. 1997	Mar. 1997	April 17, 1997
Dow-Jones Industrial Average	4494	5743	6917	6901	6659
Interest Rates					
3-month T-bill	5.49	5.01	5.01	5.14	5.15
10-year T-bond	6.57	6.44	6.42	6.69	6.86
Mortgage rate, 30-year fixed	7.95	7.80	7.65	7.90	8.16
Prime rate	8.83	8.27	8.25	8.30	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level April 17, 1997	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.725	0.4	14.5
Yen-Dollar	126.1	0.1	16.4
Multilateral \$ (Mar. 1973=100)	96.85	0.2	10.5

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.1 (Q4)	5.2 (Mar)	2.8 (Mar)
Canada	2.3 (Q4)	9.7 (Feb)	2.2 (Feb)
Japan	3.1 (Q4)	3.4 (Feb)	0.7 (Feb)
France	2.1 (Q4)	12.8 (Dec)	1.6 (Feb)
Germany	2.2 (Q4)	7.6 (Dec)	1.7 (Feb)
Italy	0.1 (Q4)	12.3 (Jan)	2.4 (Feb)
United Kingdom	2.0 (Q4)	7.2 (Feb)	2.7 (Feb)

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THE WHITE HOUSE
WASHINGTON

✓ 4-21-97

April 19, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed *BRk*RE: DPC Weekly Report

1. National Standards and Testing Initiative: We are continuing to identify states to sign up for the 4th and 8th grade testing initiative. Governor Weld announced, at a recent education meeting with Governor Hunt in North Carolina, that Massachusetts will participate in the testing initiative. Last week, the West Virginia State Board of Education voted to participate; the State Board is now working to secure Governor Underwood's support as well. Secretary Riley recently met with Governor Carnahan in Missouri and Governor Dean in Vermont, and believes that both states will sign up shortly. New York State Commissioner of Education Rick Mills is working hard to secure the support of the State Board of Regents and Governor Pataki. We expect to get a number of firm commitments within the next few weeks and at that time will schedule a White House event to highlight the participation of this new group of states.

2. Service Summit: We are working on a number of proposals for you to announce at the Service Summit. First, you can announce \$20 million in new Police Corps grants. Second, you may be able to announce new proposals for a teacher corps and child care corps. We are working to reach agreement with the Department of Education and OMB on the teacher corps proposal, which could take the form of giving scholarships to young people who will commit to teaching for a certain period of time in inner city and possibly rural schools. Our current thought is to submit the legislation creating this program as part of the reauthorization of the Higher Education Act, with questions of financing deferred to FY 99. We also are talking with HHS and the Corporation for National Service about a child corps program that would help meet the demand for high-quality child care, but these discussions are less far along.

Third, we are exploring Tony Campolo's idea of deferring, or even forgiving, interest payments on student loans while an individual is engaged in service. As you know, our income contingent repayment plan already allows people with low incomes to keep their loan payments affordable. One question about Campolo's proposal is whether the small amount of additional relief it provides would induce more young people to serve. Fourth, we are reviewing proposals from federal agencies with the hope that you could announce that military and civilian employees (mostly military) will mentor or tutor a million children by the year 2000.

To build momentum toward the summit, we recommend that you announce at next week's Reading Is Fundamental event a commitment by federal agencies to adopt thousands of schools across the nation. We are also trying to ensure that in next week's radio address, when

you announce the transmittal of the America Reads legislation, you can say that several more colleges have agreed to use work-study slots to provide reading tutors.

3. Medicare Trust Fund: On April 24th, the Medicare Trustees (Secretaries Rubin and Shalala and Acting Secretary Metzler) will release the annual Medicare Trust Fund Report. Its findings and recommendations will not differ significantly from last year's report. Although the White House cannot review the actual document, we do know that the report projects that the Medicare Trust Fund will become exhausted in 2001 unless legislative action is taken and that the Fund will face much greater financing problems starting in 2010, when the baby-boomers start to retire.

It is unclear how the Republicans will react to release of the Report. They may attempt to use the Report to chastise us for not reforming the Medicare program. But because we have the only budget proposal on the table and it extends the life of the Trust Fund to 2007, they may hesitate to be overly critical. They also may worry about the effects of such criticism on budget negotiations. We may want to preempt any potential attacks by using the release of the Report to challenge the Republicans to move more promptly on the budget. But this response also poses a risk of impeding negotiations. We will keep close watch on the situation over the next few days and advise you accordingly.

4. Child Care: As follow-up to the Conference on Early Childhood Development and Learning, the DPC would like to launch an intensive policy process to examine ways to meet the demand for high-quality affordable child care. We will meet with experts across the nation and around the world, and we will examine a wide range of regulatory, investment, and tax proposals. We then will use next fall's Conference on Child Care, which you announced last week, as a forcing mechanism to develop a significant legislative proposal in this area.

5. Washington State Request for Food Stamp Waiver: You recently asked why the Department of Agriculture denied Washington State's request to waive the food stamp work requirements for people pursuing graduate equivalency diplomas. The Department concluded that it had no legal authority to grant this waiver, because the law allows waivers only on the basis of geographic criteria -- *i.e.*, in areas (counties or cities) where unemployment rates exceed 10% or where there are insufficient jobs -- and not on the basis of any educational criteria. Using the legally authorized geographic standard, the Department so far has given waivers to Washington for all or part of 24 counties and 7 Indian reservations.

6. Study on Crime Prevention: This week the Justice Department released a study, requested by Congress, on federal crime prevention funding. The study received a fair amount of press because it asserts that many prevention programs, including DARE and midnight basketball, have little impact. In many respects, however, the study supports the direction the Administration has taken. Most notably, the study endorses programs for community policing and for prison drug testing and treatment. The study also says that formula and block grants are

less effective than discretionary grants; it calls for targeting funding to urban neighborhoods where youth violence is highly concentrated. In light of the questions this study raises, you should know that your Anti-Gang and Youth Violence Bill would reserve 10% of juvenile justice grants for research on program effectiveness -- exactly the percentage the study says is appropriate.

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THE WHITE HOUSE
WASHINGTON

H.R.C.

I sent there into the President with
my weekly report. I thought you
would be interested in there content.

4-19-97

Per Phil
the attached w/
went to FL the
a copy of the
Emanuel weekly
Report
Dch

Rak.

MEMORANDUM
FROM:
RE:

TO THE CHIEF OF STAFF
RAHM EMANUEL *RE*
WEEKLY REPORT

✓ 4-21-99



'97 APR 19 PM 12:40

STRATEGY: I have attached a copy of a memo from Bob Shrum. I met last week with Bob and after the discussion asked if he could put some of his thoughts down on paper. Some of his suggestions are worth testing and some are worth implementing immediately. If you are interested, I can ask him to come in to go over the memo.

RACE: I have also attached a memo from Bernie Aronson on the subject of race. He offers some helpful insights into how to proceed on this initiative. Some of his ideas are off base, but he has a real understanding of the history of the Civil Rights movement.

CRIME/DRUGS: Starting May 15th all Federal Firearms Dealers will have a new Brady form in response to the President's directive. The form requires an affirmative statement on residence from all gun purchasers; requires noncitizens to provide proof of residence through other substantiating documents such as utility bills; and requires all FFL's to examine photo id of all noncitizen gun purchasers.

I have asked that Ray Kelly hold a press conference to initiate the new forms.

I stated this in my report last week, as of October 15 all Federally issued handguns will have a child safety lock. Treasury and Justice represent 90% of the issued handguns and may even complete their issuance earlier.

Congressman McCullom has indicated a real interest in working together to produce a bipartisan Juvenile Justice bill. He is desperate for Congressman Schumer's support. I am heading up to the Hill on Monday with staff from White House and Justice Legislative Affairs to meet with Congressman Schumer.

Based on our preliminary discussions with Cong. McCullom and his staff, I think he will draft a bill that incorporates the President's major initiatives. After the meeting with Schumer and McCullom's staff I will draft a memo for the President. I do not want to sound to polyanna-ish, we will face difficult negotiations with the Republicans and with members of the Black Caucus.

We need to schedule a time for the President to sign the Executive Order on Sexual Predators. The signing can be as low key as the release of a White House photo without any guests and as big as the message event of the day. The signing of the order can also be the subject of a radio address.

I have asked for a number of reports for the President to release in upcoming events. At the Mayors Conference the President will release a report on "Meth" and a study on his EO from last year on drug testing for federal offenders. At the Police memorial he will release a report on Community Policing and the drop in crime. Prior to his trip to Mexico he could sign the order on GTO's and money laundering.

CAMPAIGN FINANCE: The FCC will be ruling on free TV for candidates in the near future. Reed Hundt has announced that he intends to make a decision on this matter in the coming month. We need to be poised, both the President and the Vice President, to take advantage of this announcement.

If my sense of the FCC timing is right, we need to announce the Chair of our Commission immediately. I have no sense of the timing of this announcement or where it stands, but we must be ready shortly.

On the subject of petitioning the FEC, Senator McCain's opposition offered the administration a way to hold off the filing. We could always claim that we were holding off from filing the petition in deference to Senator McCain when in reality the filing will anger Senator Kerry and Congressman Frost.

However, James Bennet from the *New York Times* is onto our back and forth game. We need to decide whether to proceed with the petition or allow the *Times* to run their story and our answer be that Senator McCain asked for a delay.

The good news is that the FCC and FEC allow us to look and act serious about reform.

IMMIGRATION: I called the Attorney General about the Saturday stories concerning the INS' failure to properly implement the naturalization reforms. I was clear that the failure to implement was going to impact her reputation. The AG led the effort to adopt these reforms. I could not be clearer that this was not a resource problem, but a management problem and needed to be fixed. The AG will get back to me on Monday.

MEMORANDUM FOR RAHM EMANUEL

From: Bernie Aronson

Subject: Civil Rights

It is a good thing the President plans to focus on civil rights during his second term. It remains the great unfinished business of the nation, and could be an important legacy of his presidency. But to succeed, you have to adopt a strategy relevant to the civil rights realities of the 1990's rather than try to relive the glory days of the 1960's.

As you know, the civil rights landscape today is far more complicated and politically treacherous. There is no national consensus about either the nature of the problem or the solution such as existed when the Civil Rights Act or the Voting Rights Act were passed. There are many more claimants at the civil rights table, new tensions between Hispanics and blacks over political power in the cities and continued tensions between blacks and Jews, once historic allies, over affirmative action and Farrakhan.

Navigating these treacherous currents is no easy task. The tools and instruments of a previous era, such as a new Kerner Commission, as you already know, are not what is needed. Still, it is no accident that the modern President who made the greatest impact on civil rights was a southerner, Lyndon Johnson. President Clinton's southern heritage and his early civil rights involvement give him credibility in both the white and black communities and his instincts as a leader to seek new common ground among differing parties is well suited for the challenge of civil rights in the 90's.

Here are some suggestions that might be helpful, by no means exhaustive or entirely original:

1. Start with a large idea.

What drove the civil rights revolution successfully was a moral consensus that united a majority of Americans around the idea that dismantling segregation was a national imperative. No new consensus has yet emerged to take its place. The American people perform best when challenged and summoned to meet an important and historic national challenge. Therefore, you need to create a new language with which to address the issue of civil rights that is inclusive, inspiring, and relevant. Here is one suggestion.

As they look around the world, the American people see nations and societies from Bosnia to Quebec to Northern Ireland to Rwanda (perhaps even Israel) being torn apart by religious, racial, and ethnic divisions. Americans fear our own country may be heading in the same direction and wish for relief from our own political and racial polarization. The Oklahoma bombing only added to that fear. Indeed, much of the broad support for Colin Powell's presidential candidacy reflected this private yearning for a leader as healer who would bring us together as one nation across the racial, religious, and political divide. This national yearning is particularly strong because Americans sense even if they can't articulate why, that the end of the cold war deprived the nation of an unacknowledged, but still powerful unifying force--the threat to our national security and values posed by an expansionary Soviet Union.

Rather than speak about civil rights only in traditional terms, the President should invoke this larger ideal. The President should say something like this: Throughout the 20th century, American democracy was an example and beacon in the night to people all over the world struggling for their freedom from colonialism, dictatorship, and totalitarianism. In the 21st century, America must be a beacon and example to people divided by ethnic, racial, and religious differences that a diverse society can build a stronger, more prosperous and secure nation by bridging differences and drawing on the unique talents and strengths of all its citizens. In other words, to lead on the issue of civil rights today the President needs to offer his own vision of America as "a city on a hill" for the 21st century.

2. Reunite civil rights and economic issues.

The best way to bridge racial divisions in the 1990's is to build common political ground around the idea of opening up economic opportunity for disadvantaged Americans regardless of color or ethnicity. You should frame a strategy around achieving that goal with the limited goal of passing one piece of legislation.

In fact, as you know, there was an historic debate within the civil rights movement between those who argued largely for a legislative and judicial strategy to end discrimination based on race and those who argued that the civil rights movement must embrace also a broader agenda of economic empowerment that would unite blacks with poor and working class whites. The 1963 march on Washington was a march for "Jobs and Freedom". Unfortunately, that effort to create a broader coalition failed and the civil rights consensus broke down over affirmative action, busing, and other issues. You should make an effort to revive it.

Just as you see Orrin Hatch and Ted Kennedy, too very unlikely political or cultural soul mates, uniting around the issue of health insurance for poor working class kids, I think a broad religious, racial, and political coalition could be assembled around both the effort to promote volunteerism that is already underway with Colin Powell, President Bush and others and around the idea of empowering the next generation to compete in a high-tech global economy. The key is not to bite off more than you can chew. You should identify some discrete part of the president's economic agenda—perhaps the President's proposals to expand college and vocational school opportunity or perhaps the Kennedy-Hatch bill itself—and then try to assemble a broad racial, religious, and political coalition, including both business and labor, around it. I would even reach out to the Christian right if you find the right issue. You may have noticed recently that the Christian Coalition made an effort to be supportive of the black community over the issue of arson against black churches. There is an enormous social and political yearning in the United States for finding common ground around the issue of race and you should try to be the catalyst for such a coalition behind the right legislative vehicle.

3. Lead by example.

This is not a new idea to you. You are already doing this. Still, I think the best way to combat bigotry today is for the President to lead by example in a dramatic way. For example: The next time a black family which has recently moved into a new, white or mixed neighborhood is greeted with vandalism and spray painted racial epithets, let the President call the family up, ask to visit, scrap his schedule, bring the first lady and Chelsea, the Vice President and Tipper, and the bipartisan congressional leadership, come in work clothes with buckets and brushes, ask sympathetic neighbors to join them, and together with the family scrub the walls to erase the racial epithets. Or, the next time a school is defaced, as happened last week in Maryland (see enclosed article) do the same thing.

4. Support mentoring of young black men by adult black men.

When Colin Powell was growing up in the Bronx there were still successful role models in the urban black community to mentor young black males and offer models of constructive and successful adult lives. Today, successful middle class blacks, like white Americans, have moved to the suburbs and the inner cities are abandoned to an underclass that is woefully ill-equipped to compete in a high tech global economy that puts little value on muscle power and great value on education and skills. Still, as evidenced by the Million Man March there is an enormous hunger in the black community among black men to reach out and uplift and mentor young black males. Enclosed are columns by Bill Raspberry celebrating one such successful effort here in D.C.—the Alliance of Concerned Men, which has been working successfully to end gang violence. The President ought to invite both the "concerned men" and the kids they work with to the White House to talk about what they have done, what has succeeded, and to celebrate and support their efforts. I have another, more ambitious idea for supporting such mentoring nationwide which I would be happy to discuss with you.

5. Denounce the glorification of violence and denigration of women in minority popular culture

I understand this is a sensitive subject, but the glorification of violence, the denigration of women, the celebration of the "gansta" life is a civil rights issue today. Regardless of whether economic and social opportunity

exists de jure, if you raise a generation of kids in the inner city to believe that human life has no value, crass materialism is the goal, women are fresh meat to be exploited, and violence is the fastest means to achieve your ambitions, we are going to continue to have a problem. You have already addressed this issue at the political level: school uniforms, v-chips, and the like. And one of the President's most effective public addresses was his speech in Memphis about the violence that claims black youth. But as you know, any political message has to be repeated over and over again. The President should spend some of the political capital he has in Hollywood to denounce the cheapening of human life and nihilism contained in this kind of music and videos. I understand that there are civil liberties issues involved and that as a genre "gansta rap" is an authentic expression of urban black life. Still rationalizing this kind of nihilistic message for vulnerable black youth who desperately need a sense of identity and respect is just a new form of paternalism. I think the President ought to mount the bully pulpit on this more than he has.

6. Re-legitimize the goal of an integrated society.

It is hard to remember now but the civil rights movement was about building a pluralistic, integrated society. We have virtually abandoned that goal and in many ways have become more balkanized along racial and ethnic lines than ever. I think the President has to find the right way and the right words to re-legitimize the value of building an integrated society. One thought might be to bring Nelson Mandela into a visible forum convened by the President to discuss this issue. He is a powerful example of someone who could have abandoned any interest in building an integrated society, but instead has pursued national reconciliation. As you know, the anti-apartheid movement drew inspiration and hope from the American civil rights movement. Maybe the President could find a way and a public forum to make the point that now we can learn something from them.

7. Support democratization in Africa.

To its credit, groups like Trans-Africa, which in earlier days identified largely with black nationalism in Africa and decolonialization has now taken up leadership in support of democratization in Nigeria and elsewhere in Africa. I think a credible civil rights strategy by the President should also include more visible presidential leadership and support for democratization in Africa. The President might make the point as Latin America has replaced dictatorship with democracy and begun to empower groups left out of the social and political marketplace, Africa must do the same and the United States and the West must show support.

8. Promote healing among blacks and Jews.

As you know, the civil rights movement was in no small part an alliance between blacks and American Jews. That relationship has been greatly strained in recent decades over affirmative action and Farrakhan, among other issues. But there is enormous yearning for healing and reconciliation. The President should seek ways to foster that healing. At the risk of special pleading, you might consider a joint award of the Medal of Freedom to the late Louie Martin and to Arnold Aronson, two unsung heroes of the civil rights movement, and two symbols of that black-Jewish alliance. The annual dinner of the Leadership Conference on Civil Rights, which Arnold Aronson founded with Roy Wilkins, and at which Tipper Gore will be honored May 6th, would be an appropriate public forum where such a joint award would be well-received.

To: Rahm Emanuel
From: Bob Shrum

The prevailing Washington un-wisdom says the President doesn't have an agenda or big achievements. The press promotes that view as a self-justification for the focus on campaign finance, Whitewater, etc. Little details -- of no relevance -- become big headlines. There's no paid TV campaign now to help reshape the dialogue; there can't be. If there was, the press couldn't push education to the back burner. The President could go to people directly.

I think the President should consider an aggressive strategy to obtain credit, to highlight the agenda, to speak for America. The following are a number of suggestions. But they're not just for the White House (if you have a mantra, the Cabinet members and everybody else in the Administration ought to be repeating it; the absence of a campaign makes across the board message discipline more and not less urgent.)

1. Economy

This is where a mantra of powerful, memorable statements about the record is really essential. The President is getting very little credit -- in the press, on TV -- for one of the best economic records in history. Greenspan gets more credit for the economy. In part, that's because we're not making the case the way Reagan made a much weaker one -- with pride, persistence, and comparative proof. This President and this Administration could use a mantra like this:

We've had ____ straight months of prosperity (growth);
____ straight months of low inflation;
____ straight years of declining deficits.
We have the lowest unemployment in ____ years;
The first rise in real wages in 20 years. . .

All this doesn't have to be said every time, all at once. But it or something like it should become the common vocabulary of the Administration. Cabinet Members especially should be giving the President credit in every speech: The Clinton Administration has...the President's policies...the Clinton prosperity.

There's a very big idea here, too: America has led every other nation in making the transition to the new economy. The 21st century isn't here yet, but already the U.S. has a 21st century economy. Unemployment here is half of what it is in France; a third of what it is in Germany – the lowest level of any advanced economy on Earth [check for accuracy – but you get the idea.]

We took the tough decisions in 1993 – and in 1997, our economy's continuing to move ahead. We can now balance the budget and provide the right kind of tax cuts for working families and the middle class.

But always go back to the big comparative: This is the most important period of economic change since the New Deal – and the Clinton years are the longest period of sustained prosperity since the 1960's.

If this isn't said over and over, with appropriate variations but disciplined consistency, the President just won't get the credit.

2. Crime

The same is true on crime, where the achievements have to be stated concisely and repetitively:

___ straight years of falling crime rates.

A ___ % decrease in murder rates -- the longest sustained decline in ___ decades [years].

The first federal legislation ever passed to keep handguns out of the hands of criminals -- which has saved ___ thousand lives in ___ years.

The first national ban on assault weapons in American history. [Any statistics available on the results?]

Now we're turning to the threat of juvenile crime --

We're fighting for the first national legislation ever to say that juveniles who commit violent crimes should be held accountable, not let off by pleading that they're too young.

Every kid deserves a chance, but age is no excuse for crime.

Don't overwhelm people with detail about the new crime proposals. Set an ambitious, memorable goal: The experts predict a ___% rise in juvenile crime in the next ___ years. This nation can't afford that -- and this President won't accept it. We've set a goal of cutting juvenile crime by ___% in the next ___ years.

3. Education

Here there's a need to create a consistent sense of the big ideas the President is fighting for:

E.G., The first comprehensive national tests of student achievement in national history. . .

The first national commitment to set standards for teacher competency, and hold teachers accountable.

There are some who say these ideas aren't enough because the new spending the Administration's proposing isn't high enough. If ever there was a place where throwing money at a problem won't solve it, it's the issue of tough standards in our schools. It won't do any good to spend more if we don't demand better results.

We're for spending every cent we need to -- for example, to repair dangerous and decrepit school buildings. But we're going to do the other, politically difficult things we need that to make our schools the best in the world.

Challenge Congress and the country again: take education out of politics. In the 21st century, education is a national security issue -- and politics should stop at the schoolhouse door.

Can goals be set here? For example:

In __ years, to have American students finish first in the world in international tests of math and science.

In __ years, to have 100% of students who don't face special challenges passing a basic reading test before graduating from the __ grade.

And by the end of this decade, make it financially possible for every American family to send a child to college or junior college. 100% college access.

4. Foreign Policy

The President's not getting credit, because each event seems separate and there's no consistent story line. In fact, you should be talking about (and getting credit for) meeting the great and global challenge of our time – a challenge unparalleled in half a century – to reinvent the ordering of a world from which we cannot withdraw – and to redefine America's role in an era very different from any in the past.

This President has the courage to do this, step by step –

From Haiti to Bosnia to one of the most successful summit meetings in history, where the Russians actually agreed to the expansion of NATO.

There are setbacks as well as progress – for example, the Middle East – but if you draw a line through the peaks and valleys, the general direction is upward – toward peace.

No one would have predicted that the 1990's would see so much progress toward a peaceful world. The U.S., its people and its leaders won the Cold War. Now it is our privilege and our obligation to win the post Cold War.

The greatest tribute to the success of the Clinton foreign policy is something people don't even think of because they haven't been told: This is the first Administration in 70 years not to be involved in a war.

Is it possible to think about a big Clinton idea in foreign policy? "The indispensable nation" is a powerful concept -- witness Chretien citing it at the State Dinner -- but it's more diagnostic than active and prescriptive -- as in Good Neighbor Policy; Truman Doctrine; Alliance for Progress. Is there a Clinton Doctrine that can put into words and explicit resolve one or more major priorities -- e.g., the United States will oppose any attempt by any nation to reoccupy the independent nations of Eastern Europe; or, environmental standards must be applied globally because pollution does not respect boundaries or even great distance -- and the pollution of any nation's environment is a threat to the health and economy of every other nation. Or do you guys hate the very idea of a doctrine? If so, is there a strong, activist phrase?

5. Big Speeches

Not every speech has to be about policy. The Presidents who are best remembered didn't have just great achievements; they made great contributions to the American idea.

They gave five or ten speeches a year where they outlined not just policies, but conceptual themes that all tied back into a few (or even one) overarching idea. That's what vision actually is. Guideposts from the past:

- 1) Use ceremonial occasions to tie past history and ideals to new policy in a original, informing way. (Example: Kennedy's July 4th speech in Philadelphia in 1962, which tied independence day to "interdependence" as the basis for a

major policy statement on Europe. It drew on a consistent theme from before the '60 campaign – "the old ways will not do.")

- 2) Wherever possible cast policy speeches in a bigger context. (See FDR's "Four Freedoms" speech scheduled as a statement on how the U.S. would deal with World War II. He did the specifics, and then lifted it all to a higher ground. See Reagan on tax cuts – which he always tied back to individual freedom, breaking the power and waste of big government, empowering people. See almost anything from Lincoln – always cast to a theme of freedom or union. E.G., the transcontinental railroad was discussed in terms of union – one country – which reinforced the idea of and support for Lincoln's central effort to defend that ideal in the Civil War.)
- 3) Periodically seek out and use non-policy, non-political occasions to give big picture, big idea speeches that:
 - Address unexpected topics (See Kennedy on power and poetry at the dedication of Robert Frost Library at Amherst),
 - Or say unexpected things (Eisenhower's Farewell Address on the "military-industrial complex," which proved profoundly influential and is about the only speech he ever gave that anyone remembers.)
- 4) Put major crisis or policy decisions in a larger, thematic context (Truman announcing aid to Turkey and Greece and stating the Truman Doctrine; Kennedy on the Missile Crisis; Reagan on the Challenger disaster.)

These names are conspicuously absent from this list: Carter, Bush, and Nixon. Nixon understood the challenge and actually tried; he just couldn't pull it off. But Carter and Bush positively resisted big idea speeches; Carter's proudest legacy

was an exception – human rights – and one of his worst mistakes – malaise was another exception. Bush was awkward, banal, and malaprop. Both Presidents were weaker and more vulnerable to attack because they failed to create the bigger context.

Clinton can be brilliant when he succeeds at that – after Oklahoma City, at the Memphis Church, in an acceptance speech that worked with the country because contrary to the critics, it really did have a theme; in the education positions especially of this year's State of the Union. The more he does it, the more he can build support in the country that will be felt across the range of issues; the more he will be seen as having a broader vision and a larger purpose than a series of policy specifics. Sometimes the most powerful occasion will be unplanned and unwanted. But other opportunities can be scheduled; serious, prepared, thematic speeches can be given at regular intervals.

I'm told the President doesn't like Oval Office speeches, but if they can be done right, on topics where the networks can't deny coverage, they can be very powerful. What was wrong with the December '94 speech wasn't the President; it was the content.

The efficacy of big speeches as a continuing strategic device can't really be pre-measured in polls; but I think it's clear that making such an effort will improve press perception and reporting – while solidifying and adding to popular support.

This could also be an indirect, potentially very powerful offensive means to build a defense against the so-called scandals. The more people have a certain kind of perception about the President, the more likely they are to see the scandal stories and say, in effect – I don't believe that; he's just not that kind of guy.

For the same reason, I think you should consider the First Lady giving her own series of speeches, town halls, living room discussions around an issue like early childhood development or child health instead of answering stupid questions about Whitewater, Hubbell and Campaign finance. If that's the subject, even Larry King isn't a "soft" show.

New big ideas

As we discussed:

- After the failure of McCain - Finegold, is there a big new campaign finance proposal?
- At the right time, move to make Kennedy-Hatch health insurance coverage for kids Clinton's bill. It's a powerful idea that can pass; it has the right enemies; the Republican answer so far is pathetic -- let the states do it, or the private insurance companies, which clearly haven't done it and clearly aren't trusted. The other side doesn't have the scare tactic they used with the health care plan -- that you could lose something you already have -- your own health plan, or the right to pick your own doctor. (A lady in a focus group recently said that Harry and Louise were right; all those things are happening -- people are being forced into managed care and losing the power to choose your own doctor. Costs are through the roof, treatment is rationed. The only difference is we don't have Clinton's guaranteed health insurance. We got the bad without the good.)

6. Burton, Starr, Thompson: Strategy and Tactics

The investigations and press stories will be with us for months more at least. A critical strategic response, I believe, is the President being Presidential in the

ways I've outlined here and the same applies to the First Lady. I have an additional tactical thought: a single, highly respected, authoritative person in charge of communications strategy on all this -- someone the President and the press really trust -- could make a major difference, and not just defensively. The right person in effect could validate responses by the simple fact of who he or she is in terms of previous reputation.

Each morning, Marylouise finds factual errors in Post stories. Can't an accuracy team monitor the press -- and point out an error to editors even if you don't ask for a retraction? At least brush them back a little.

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COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

'97 APR 18 PM 7:13



April 18, 1997

✓ 4-21-97

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. McGINTY *WAW for KAM*

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

RIGHT-TO-KNOW EXPANSION

This evening we reached agreement among CEQ, OMB, and EPA concerning changes to EPA's major expansion of the number and types of facilities subject to the Toxic Release Inventory (TRI). This proposal fulfills one of the major commitments that you announced at the 1995 right-to-know event in Baltimore, but the final rule has been delayed by White House concern about the scope of EPA's current proposal and its potential impact on smaller businesses. We worked with EPA and OMB to develop a compromise package that retains the scope of the expansion, but delays the start of reporting while EPA provides sector-specific guidance on how to reduce the cost of reporting. EPA will also undertake a broad stakeholder process to identify further ways to reduce the cost of TRI reporting while enhancing the information available to communities. This compromise approach is expected to have the strong support of the environmental community, and we hope that it will assuage small business concerns.

CHILDREN'S HEALTH EXECUTIVE ORDER

On Monday, April 21, you will sign and the Vice President will announce an Executive Order directing agencies to enhance their efforts to protect children from environmental health and safety risks. Issuance of this Executive Order, which was first proposed by EPA and CEQ and later revised through an interagency process convened by CEQ, DPC, and NEC, will serve as a follow-up to the First Lady's conference on early childhood development and a curtain-raiser for Earth Day the following day.

NEW WORLD MINE

The Crown Butte company has indicated that they want to continue pursuing the federal asset exchange for the New World Mine. There is also continuing Congressional interest in our proposal. I am scheduled to testify about the history and details of the New World Mine and Headwaters agreements before the House Resources Committee on April 24th.

CLIMATE CHANGE

The United Kingdom has been hit by its worst drought since rainfall records were first collected there more than 200 years ago. Water rationing and risk of fire in the (usually soggy) English countryside have put climate change on the agenda in the British election campaign. (The Labour Party is pushing tougher global warming policies than the incumbent Conservatives). Many stories in the British media note links between the drought and global climate change.

More frequent and severe droughts are among the many consequences scientists expect as greenhouse gases accumulate in the atmosphere. Ironically, more frequent and severe floods are also expected. Global warming will speed evaporation of water, intensifying the hydrologic cycle. More droughts and floods, as well as more frequent and severe storms (such as hurricanes), are predicted. While no single drought, flood or storm can definitively be linked to global warming, we can expect more of these in the years and decades ahead unless greenhouse gas emissions can be brought under control.

WHALES

A storm is brewing in the environmental community over whales. A combination of mainstream and more left-wing groups (World Wildlife Fund, Greenpeace, the Humane Society and the International Fund for Animal Welfare) are planning a mid-May press conference to blast the Administration for its whaling policy. The groups will complain that global whaling has tripled since you took office, that you and the Vice President do not give the issue sufficient priority, and that the administration is unwilling to use trade sanctions against whaling nations.

The real culprits on whaling are Japan and Norway. Japan refuses to accept a 1994 global agreement to stop whaling off Antarctica. (The Japanese fleet will take more than 400 whales there this year). The Norwegians are steadily increasing their whaling in the northern Atlantic, skirting the edges of the rules of the International Whaling Commission.

For many U.S. environmentalists, whales have enormous symbolic significance. They are the classic "charismatic mammal," easily used as an emblem of the environmental movement. The recovery of many whale stocks from near-devastation in the 19th and early-20th centuries is a tremendous environmental success story.

The easiest way to show leadership on this issue would be for you to raise whaling in your meeting with Prime Minister Hashimoto next week. A brief reference would significantly reduce the intensity of complaints from U.S. environmental groups and give us an important tool for managing this issue. We have suggested you raise whaling in each of your last two meetings with Prime Minister Hashimoto, but it has not happened. I understand that, against the backdrop of our broader security and economic relationship with Japan, whaling issues can appear insignificant. However, our raising this issue with Prime Minister Hashimoto would have enormous symbolic significance and pay considerable dividends with environmentalists.

EARTH DAY

Next Tuesday, April 22nd is Earth Day. You have time blocked on your schedule to participate in an event on the Anacostia River. We are preparing separate materials for you regarding this event.

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THE WHITE HOUSE
WASHINGTON

April 18, 1997

✓ 4-21-97

215181

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN HILLEY *John Hilley*
SUBJECT: WEEKLY LEGISLATIVE REPORT

House of Representatives

1. **Tax Constitutional Amendment:** On Tuesday, April 15, the House rejected (233--190, two-thirds present not having voted for the amendment) an Administration-opposed Constitutional Amendment to Require Two-Thirds Majorities for Bills Increasing Taxes (H.J.Res. 62). Republicans staged the vote knowing it would come up short but hoping it would win more support than it did a year ago. Instead, it received 10 fewer "yes" votes than it did in 1996.
2. **Patent System Improvement:** On Thursday, April 17, the House began consideration of the 21st Century Patent Improvement Act (HR 400). This legislation would modify various patent laws to make intellectual property right protection in the United States similar to those in the rest of the industrialized world. During the debate:
 - a. The House adopted by voice vote a Manager's amendment which was drafted with the Administration (Commerce Department, the Patent and Trademark Office, White House Legislative Affairs) to address a number of Administration concerns. The Manager's amendment will ensure that the Patent and Trademark Office will operate under performance based objectives as envisioned by the National Performance Review.
 - b. The House defeated (178--227: Democrats - 54 yeas, 138 nays ; Republicans - 138 yeas, 89 nays) an amendment by Rep. Dana Rohrabacher (R-CA) which was strongly opposed by the Administration. The Rohrabacher amendment would have resulted in U.S. patent law violating our treaty obligations under GATT.

The House is expected to resume consideration of this bill on Wednesday, April 23. Given the actions to date, the Administration will support House passage and oppose any further amendments to the legislation.

3. **Homeowner Insurance:** On Wednesday, April 16, the House passed (421--7) the Homeowners Insurance Protection Act (HR 607). This legislation aims to free homeowners from mortgage insurance payments once they have paid off 25 percent of their mortgages. The Administration supported passage of this bill.

4. **Gingrich Ethics:** House Speaker Newt Gingrich announced Thursday, April 17, that he will pay his \$300,000 ethics penalty with money loaned to him by retired Senate Majority Leader Bob Dole. Documents released by the Speaker's office said Dole had agreed to loan Gingrich the full \$300,000 to be repaid with 10 percent total interest over eight years.

5. **Rep. Ciro Rodriguez Sworn In:** On Thursday, April 17, Rep. Ciro Rodriguez (D-TX) was sworn in to fill the vacancy left by the late Rep. Frank Tejeda (D-TX).

The Week Ahead

There will be no votes in the House on Monday, 4/21, or Tuesday, 4/22, in observation of Passover and there are no votes expected on Friday, 4/25. It is expected that the House will take-up several Suspension bills, complete consideration of the 21st Century Patent Improvement Act, and then turn to several science authorization bills.

Senate

1. **Nuclear Waste:** On Tuesday, April 15, the Senate passed (65--34; Senators Coats and Nighthorse Campbell joined 32 Democrats in voting against passage) S. 104, the Nuclear Waste Policy Act, as amended. Senator Rockefeller did not vote, but opponents of the bill announced he would vote against the measure, leaving supporters two votes shy of the two-thirds majority needed to override your promised veto. Enactment of this legislation would lead to construction of a temporary nuclear waste repository at Yucca Mountain in Nevada.

a. On Tuesday, April 15, the Senate tabled (59--39) an amendment sponsored by Senator Bingaman that would have prevented the Yucca Mountain site from being licensed if it were deemed unsuitable. In addition, the amendment would have also removed the automatic default to another site in Nevada if Yucca Mountain was found unsuitable.

2. **IRS Browsing:** On Tuesday, April 15, the Senate passed (97--0) S.522, the Taxpayer Browsing Act, as amended, criminalizing unauthorized browsing of tax returns by IRS employees.

3. **Assisted Suicide:** On Wednesday, April 16, the Senate passed (99--0) H.R. 1003, the Assisted Suicide Act, prohibiting the federal funding of assisted suicides. The Administration-supported measure is now cleared for your signature.

4. **Chemical Weapons Convention:** On Thursday, April 17, the Senate reached a unanimous consent agreement under which to consider the treaty. Under the provisions of the agreement, the Senate turned to consideration and subsequently passed (53--44; Senator Lieberman joined 52 Republicans voting for passage) S. 495, the Chemical and Biological Weapons Bill. The Kyl-sponsored measure would essentially apply the treaty to the United States, but it would not subject the United States to other conditions in the treaty, including international inspections of chemical plants and intelligence sharing. According to the unanimous consent agreement reached, the Senate will turn to consideration of the resolution of

ratification on Wednesday, April 23. The first 28 conditions will be subject to a vote (Senator Lott indicated a voice vote), while the remaining 5 conditions will be subject to 5 separate motions to strike. Finally, as part of the agreement, the Senate will consider implementing legislation before the Memorial Day recess.

5. Herman Nomination: The Senate Republican leadership postponed a vote on the confirmation of Alexis Herman's nomination to be Secretary of Labor over concerns with the Administration's proposed Executive Order relating to project labor agreements.

The Week Ahead

On Wednesday, April 23, the Senate will turn to consideration of the resolution of ratification of the CWC according to the provisions of the previous unanimous consent agreement. The Senate may also consider Alexis Herman's nomination.

cc: The Vice-President
Erskine Bowles
John Podesta
Sylvia Mathews

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THE WHITE HOUSE
WASHINGTON

April 18, 1997

✓ 4-21-97

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MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale *MLH*

SUBJECT: Weekly Report

National Service Summit: We continue to work with the leadership of the Summit for America's Future to include elected officials from all levels of state and local government. There appears to be a strong turnout of mayors and governors and we hope to have more county and legislative officials in attendance.

We have faxed your proclamation on service to key state and local electeds along with the attached memo in which we ask them to amplify your message and to facilitate events in their communities which promote public service and volunteerism. We also asked them to recognize the people who volunteer in programs in their own communities.

The National Association of Counties launched a positive program called "Community Countdown 2000." It is designed to promote "citizens' responsibility" by creating public-private partnerships to involve citizens in their government. A synopsis of the program is attached for you, as it clearly helps to promote the kind of interaction and involvement that you are promoting. It might be a useful tool for follow-up to the Service Summit in the months ahead.

Welfare Reform: We have asked Commissioner Michael Hightower, President of NACo, to organize counties in a campaign to promote the hiring of welfare recipients. Several large counties have already begun an aggressive program, including Cuyahoga County in Ohio.

NACo is also planning a series of hearings on welfare reform implementation. One of the key goals of the hearings is to identify different ways in which counties are trying to make the law work. They will emphasize the impact of the legal immigrant provisions, unmet needs, such as transportation and child care, welfare to work programs, and public/private collaborations.

They plan press activity in Fulton County, Georgia, Hennepin County, Minnesota, Santa Clara County, California, and Dade County, Florida.

New York -- TWA Flight 800: We coordinated with Cabinet Affairs, Legislative Affairs, OMB, and FEMA to respond to New York's request for federal assistance to New York State and Suffolk County for costs incurred in response to the July, 1996 TWA crash. We informed New York State and Suffolk County officials of the Administration's approval of their attempts to seek reimbursement through the legislative supplemental process.

Immigration: With our support, the National Association of Counties is planning a series of events related to the "100 Day Countdown" until the loss of welfare benefits to legal immigrants. They are requesting anecdotal information through their weekly bulletin, which is distributed to 1,000 county officials weekly. They will also feature a series of articles in *County News*, a biweekly publication with a circulation of 26,000. NACo plans to work with state associations in key states to encourage county officials to be in touch with their governors and seek cooperation on addressing this problem.

We are working closely with a coalition of the National Conference of State Legislatures, the National League of Cities, and the United States Conference of Mayors to address concerns regarding the legal immigration provisions.

Mayor Webb: We spoke with Mayor Webb several times regarding the Denver Summit. While he continues to be apprehensive, he is appreciative of the visits that several cabinet members are making to Denver to help with this involvement of the business community.

Empowerment Conference: Mayor Archer called to express his appreciation to the Vice President for helping to make the conference such a success. He also said that he felt the Big 3 auto meeting went extremely well for all involved.

Tobacco: The tobacco lawsuit negotiations that have been underway over the last few weeks were revealed this week. The majority of Attorneys General remain skeptical about the negotiation proceedings but have remained active in the settlement talks. In a related matter, Minnesota Attorney General Skip Humphrey cited evidence of consumer fraud in the state's case against the tobacco industry.

New York City: We coordinated the participation of local elected officials in both the "Kick Butts" event at the Andries Hudde School and the baseball game honoring Jackie Robinson. The electeds were pleased to have been invited to sit in your special guest box. It was an historical occasion and many of the local electeds in particular, New York City Council Speaker Peter Vallone and Assembly Speaker Sheldon Silver, expressed that they were honored that we asked them to attend the game as your guests.

THE WHITE HOUSE

WASHINGTON

April 18, 1997

MEMORANDUM FOR STATE AND LOCAL ELECTED OFFICIALS

FROM: Marcia Hale, Assistant to the President and Director of Intergovernmental Affairs

SUBJECT: Presidents' Summit for America's Future -- April 27 - 29, 1997

As the Presidents' Summit for America's Future in Philadelphia is approaching, the Office of Intergovernmental Affairs wanted to highlight for you the attached Presidential Proclamation on National Service and Volunteer Week. It is our hope that you, as an elected leader in your community, will take a leadership role in the many activities that are underway across the country as part of this exciting and important bipartisan effort.

We hope that you will release your own proclamations that herald the concept of citizen service. All of your communities have volunteers who make a tremendous difference every day, and it is the goal of President Clinton, joined by Presidents Bush, Ford, and Carter, along with Mrs. Nancy Reagan, to highlight the work of those who perform community service.

The Presidents' Summit for America's Future is chaired by General Colin Powell and former President George Bush. The Vice-Chairs are former HUD Secretary Henry Cisneros, and the Hon. Lynda Johnson Robb, the Chairman of the Board of Reading is Fundamental.

Many of you will be with your community and state delegations at Independence Hall in Philadelphia April 27 - 29 for the Summit. Whether or not you are attending the Service Summit, the most important work can be done in your own communities as you mobilize the citizens in your community in a united effort to solve our common problems.

The proceedings of the Presidents' Summit will be aired live on C-SPAN. We strongly encourage you to take advantage of this accessibility. For example, you might go to a day care center or a senior meal delivery site and lead a discussion with volunteers at the center. Local Voluntary Action Centers, AmeriCorps projects, religious community-led programs, and dozens of other efforts can be the backdrop for your statements and speeches on this subject. Our ability to communicate to the local media will help to magnify this important message from President Clinton and all of the leaders of the Summit. We want to motivate young people to begin a life of service this week, and you, as a leader in your community, are in the ideal position to do that.

As the President's Proclamation outlines: "Our mission is nothing less than to spark a renewed national sense of obligation, a new sense of duty, a new season of service." As elected officials, you are in the best place to help make that dream a reality. Thank you in advance for your efforts to help foster a new season of service. If you have any questions, please call Lynn Cutler, Deputy Assistant to the President for Intergovernmental Affairs, at 202/456-2896.

Community Countdown



SPONSORED BY YOUR LOCAL COUNTY

COMMUNITY COUNTDOWN 2000

A Citizens Initiative of the National Association of Counties

The National Association of Counties (NACo) is embarking on a three-year country-wide initiative to address the issue of public confidence in government by creating an environment in which citizen responsibility can be nurtured, flourish, and be recognized as integral to addressing local challenges.

This initiative will promote "citizen's responsibility" for America as we enter the new millennium.

National Association of Counties
440 First Street
Washington, DC 20001
202/393-6226

COMMUNITY COUNTDOWN 2000
A Citizens Initiative of the National Association of Counties

As the ideas of "devolution" and "new federalism" become part of the political rhetoric of the 90's, a host of new challenges will be presented to the leaders of local government as they seek to secure America's future. Public confidence resides in the middle of these challenges and must be addressed if local solutions to big problems are to become possible.

NACo, recognizing the seriousness of this new political environment and that public cynicism is detrimental to any democracy, is seeking partners to assist in this national initiative to establish the link between citizens involvement in governance and enhanced public confidence in government.

As a national initiative, the project will become the focal point for a growing number of local individuals and organizations who wish to create a positive legacy for future generations, and for community-minded citizens who feel left out of the national debate regarding preserving the American dream. It is truly an initiative about taking "responsibility" for America.

COMMUNITY COUNTDOWN 2000

A Citizens Initiative of the National Association of Counties

GOAL:

To build public confidence in government across America by engaging citizens in a collaborative process with county governments to define and address key challenges in their communities.

OBJECTIVES:

- To mobilize officials of America's 3,072 counties to provide opportunities for local citizens and organizations to meet, select, discuss and share ownership and responsibility for solutions to community problems.
- To provide basic issue information to the public and offer mechanisms for citizens and organizations to become actively involved in problem solving at the local level.
- To establish momentum for the concept of citizen action by reporting the results of the initiative's activities to state and national decision-makers and the media.
- To provide the framework to facilitate active citizen and youth participation in solving local problems through the year 2000 and to give national recognition to outstanding contributions.

KEY INITIATIVE STRATEGIES:

Phase One:

- ◆ *Community Countdown 2000 National Conversation*
- ◆ Advertising and Promotion (continues throughout initiative)

Phase Two:

- ◆ "Acts of Caring" Community Responsibility Demonstration

Phase Three:

- ◆ Kids "Ideas that Count"

PHASE ONE

COMMUNITY COUNTDOWN 2000
National Conversation

The purpose of the *Community Countdown 2000 National Conversation* is to:

- Involve citizens in defining and addressing the problems facing their respective communities;
- Demonstrate how individuals and groups can take an active role in creating better communities; and,
- Inspire hope in the millions who are skeptical about America's future.

The initiative will begin with the implementation of the *Community Countdown 2000 National Conversation*. The first step in the *National Conversation* is for counties to gain input from as many local citizens as possible. Options for garnering such input include placing advertisements in local papers asking citizens to identify their community's key challenges (citizens will clip the ad and send it in); or disseminating a similar survey to citizens using other county communications vehicles (e.g. property tax bills, etc.)

During the same time frame, counties across America will convene local *Community Countdown 2000* roundtables as part of the *National Conversation*. The purpose of these meetings will be to review the citizen feedback, and discuss and determine the top three challenges facing their respective communities.

Results from the *National Conversation* roundtables will be sent to the state county associations and then forwarded to NACo. State associations will issue media releases regarding the top issues identified in their state, as well as host a session at their state meetings assessing the results of the process.

A national panel will be convened by NACo to consider the results from all submitting counties in order to determine the top three issues in the country for the next phase of the *Community Countdown 2000*, "Acts of Caring."

COMMUNITY COUNTDOWN 2000

National Conversation

- The *Community Countdown 2000 National Conversation* was launched via satellite transmission on January 18, 1996 in Austin, Texas. As part of the launch, NACo released a list of five questions that every citizen would ask candidates for federal office in 1996. These *Questions that Count* will assist the public in understanding how the rhetoric of the national campaign will actually impact local government services and taxes.
- *Community Countdown 2000 National Conversation* kits have been developed by NACo and sent to officials in each county. The kit provides a variety of tools including: a video to set the context for the conversation and inspire active participation; and suggested formats and procedures for conducting the conversation.
- NACo leadership in counties will receive training in successful consensus-building; techniques to capture the results of these sessions; and how to report the findings for state and national use.
- Local cable television companies will be encouraged to provide community access coverage of *Countdown* meetings.
- NACo is currently looking for a sponsor to develop a national advertising and promotions campaign that will represent the initiative's comprehensive public awareness strategy. Its advocacy messages in advertising and promotions will be developed to complement the sponsoring corporations message.

PHASE TWO

COMMUNITY COUNTDOWN 2000
"Acts of Caring"

Based on the results from the *National Conversation*, a "Blue Ribbon Panel" will be convened by NACo to define three overarching issues that can be actively addressed by citizens in communities across America.

Acts of Caring will encourage individuals and organizations to make progress toward meeting one of the three challenges facing America's communities. When such acts are accomplished, citizens will report them to their county's *Countdown 2000 Coordinator* who will keep track of the acts, post the number of acts in a conspicuous public place, and report the acts to the state association and NACo for release in press reports.

The *Acts of Caring* project will raise awareness for citizens' involvement in government and will create stronger ties between citizens and local officials.

Of those *Acts of Caring* that are submitted, national awards will be given by the "Blue Ribbon Panel" highlighting the most innovative and effective "Acts" that are being undertaken by citizens to improve their communities.

PHASE THREE

COMMUNITY COUNTDOWN 2000

Kids "Ideas That Count"

Children of all ages will be called upon to consider the future for their communities and offer *Ideas that Count*. The project will be designed to generate excitement and creativity within schools regarding the concept of communities, and to educate students about local government and the importance of their ideas and involvement. The project also builds on the success of NACo's recent effort focused on children's needs by involving children in what might be their first act of community citizenship -- helping to develop ideas to make communities better in the future -- their future.

During the early phases of the initiative, efforts will be implemented to develop school curricula and other support materials. Beginning in early 1998, *Countdown 2000 Coordinators* will mail *Ideas that Count* promotional collaterals and applications to school principals and parent organizations throughout their local counties for students to submit ideas. Included in this packet will be brochures for teachers with lesson ideas that will tie students to communities and provide the framework for coming up with ideas to better their communities by the turn of the century.

Ideas that Count will be submitted to local *Countdown 2000 Coordinators*, and then forwarded to the state associations and NACo for further media and promotional efforts. A national recognition program will be implemented to showcase the project's most innovative ideas.

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THE WHITE HOUSE
WASHINGTON

✓ 4-21-97

April 11, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale 

SUBJECT: Weekly Report

National Service: We will fax the Presidential Proclamation on Service Week to 1,500 state and local elected officials, along with a memo asking them to amplify your initiatives in this area and to further broadcast the message by issuing local proclamations, facilitating service projects in their communities, plugging into events that are being held in their communities, in addition to being involved in Service Summit follow-up activities. We are also working to generate stories from the Summit to be published in the weekly newspapers that are distributed to state and local officials around the country.

Texas Land Commissioner Garry Mauro: At the request of Texas Land Commissioner Garry Mauro, we have set up a reception in the Indian Treaty Room on April 14 for the Western States Land Commissioners and the Eastern Lands Resources Council who will be in Washington for their Joint Spring Conference. This meeting will provide an opportunity for public land managers from across the country to interact with key members of the Administration.

White House Conference on Early Childhood Development: We are working closely with the First Lady's Office to ensure that elected officials participate in the Early Childhood Development Conference either at the White House or simultaneously at satellite locations around the country. The six members of NGA's 0-3 Task Force have been invited: Governor Miller (D-NV), Governor Chiles (D-FL), Governor Dean (D-VT), Governor Voinovich (R-OH), Governor Almond (R-RI) and Governor Ridge (R-PA). Governor Romer (D-CO) asked to attend and has been invited. Per your remarks to the North Carolina State Legislature, several of those involved in the Smart Start program have also been invited. Governor Miller and Governor Voinovich, as Chair and Co-Chair of both the NGA and the 0-3 Task Force, have been asked to participate on a panel. None of the Republican Governors are able to attend.

We will send state and local elected officials the press release and list of satellite sites and encourage them to participate in these locations. Using the attendance of Cuyahoga Commissioner Jane Campbell at the conference, the National Association of Counties will do a prominent feature story in their weekly newsletter, which is distributed to 3,200 counties.

New York -- TWA Flight 800: We coordinated with Cabinet Affairs and Congressional Affairs to facilitate a White House meeting on April 1 with Congressional staff members, New York State Emergency Management Agency staff, and state and local government officials. This meeting focused on requests for federal assistance to New York State and Suffolk County for costs incurred in response to the July, 1996 TWA crash. FEMA has determined that a major disaster declaration is not warranted. OMB is reviewing the situation and considering alternative means of reimbursement.

Seat Belts -- Opposition from State and Local Elected Officials: There is serious opposition among the bipartisan elected officials' groups and the Governors' highway administrators to Federal legislation that "mandates" enactments of primary seat belt laws. While Governor Glendening will be supportive, as will a few other elected officials, state and local elected officials have expressed their opposition loudly and clearly.

Thursday, stories appeared on the front page of *USA Today* and in the *Detroit Free Press* (see attachments) that essentially discussed the planned announcement of the initiative and the resulting tension between the Administration and the Governors. There was also an AP story (attached) that is more descriptive and does not talk about the conflicts.

On a separate issue, a preliminary check shows minimal opposition from the state and local groups to issuing an Executive Order about the mandatory use of seat belts on Federal lands, presumably because they do not have to enforce it.

Children's Health Initiative: We coordinated with DPC to brief Governors' senior staff members on the Administration's children's health initiative.

Governors and Medicaid: Both democratic and republican Governors continue to be strongly opposed to the Administration's per capita cap and disproportionate share cuts. The NGA has sent a letter requesting a meeting with you and the Medicaid Task Force (Miller, Chiles, Dean, Leavitt, Voinovich, Thompson) for late April or early May. It is clear from conversations with the National Governors' Association and with Democratic Governors that the purpose of the meeting is to express their opposition to the per capita cap and to reiterate that they will not support your children's health initiative unless we drop the cap. The Governors plan to meet with Congressional leadership as well.

Attached is a letter signed by 40 Governor's stating their objection to our Medicaid position and reiterating their desire to be involved in the process.

Fair Labor Standards Act and the Governors: The Governors continue to be concerned about the application of the Fair Labor Standards Act to the implementation of welfare reform. Governors are concerned that such a decision would require that minimum wage be paid to welfare recipients currently assigned to workfare positions.

The Governors believe that states could not afford to fund those positions at minimum wage as well as comply with the minimum hours of work required by the welfare law if only cash grant

money would count toward minimum wage payments. Some Governors are also concerned that such a policy would discriminate against states with insufficient low-skilled jobs or those that have invested resources in services to promote self-sufficiency rather than increasing cash grants.

One proposal advocated by some Governors is to allow states to count the value of Food Stamps, Medicaid and child care, in addition to cash grant money, towards minimum wage payments.

North Carolina Follow-up: T.J. Glauthier and I met with several of Governor Hunt's staff to follow-up on the issues that Governor Hunt raised with you when you were in North Carolina. A memo from OMB and IGA summarizing each of the projects will be sent to you and Erskine by mid-week. In addition, I will be sending you a letter and picture to be signed to State Senator Basnight to follow-up on his request for assistance on the Cape Hatteras Light House.

Mayor Rendell: Bruce Reed and I met with Mayor Rendell to discuss welfare reform implementation at the Mayor's request. Ed Rendell and Norm Rice are working together to bring this issue to the forefront at the summer meeting of the U.S. Conference of Mayors. As you may know, Norm Rice is considering starting a separate organization to deal with welfare implementation since he has decided not to run for re-election. I arranged for him to meet with Eli Siegel last week so they could discuss how their entities could complement each other should Norm proceed with his plans to start a new organization.

Native American and Tribal Issues: The situation with Lakota-Dakota tribe appears to be resolved. This involved the need to have the Governor of South Dakota request emergency assistance for the winter hardships the tribe suffered. North Dakota Governor Ed Schafer had recently made the request. Governor Bill Janklow has now agreed to request assistance, and we understand that FEMA is expediting the matter.

We have also closely monitored a land dispute between the Navajo and Hopis. The Justice Department staff working on this issue have made a strong contribution to the efforts to find a compromise between the parties. This is a result of the Navajo-Hopi Land Settlement Act of 1996 that you signed last fall.

Several meetings have been held with many representatives of Native American tribes, and we are working on some of the issues and personnel appointments that are critical to them.

Plan links seat belt use, road funding

By Jayne O'Donnell
USA TODAY

The Clinton administration is expected to announce a controversial plan to get states to increase seat-belt use or lose millions in highway funding.

The plan, which could be out as early as next week, seeks to push seat-belt use to at least 85% from 68% now.

The administration initially would reward states with extra money if they beef up enforcement of seat-belt laws and get more people to wear belts.

But the administration also has drafted legislation that would withhold highway funds from states that don't enact tougher belt laws or achieve big gains in belt use by 2003.

Governors strongly oppose such sanctions. So does Senate Commerce Committee Chairman John McCain, R-Ariz. He wrote to governors Tuesday asking them to voluntarily enact better belt laws and enforce them more aggressively.

"It seems to me (President Clinton is) going the way of the 55 mile-per-hour speed limit," McCain says. "That was so unpopular it was repealed."

The administration is determined to get belt use up — even if it gets heat from critics.

The National Highway Traffic Safety Administration (NHTSA) estimates that seat belts saved 9,797 lives in 1995. If 85% of the population used belts, 6,920 more lives would have been saved, NHTSA says.

States can boost belt use anyway they want, but the administration will push for more stringent seat belt laws.

The plan is also expected to encourage states to hit motorists who don't buckle up with penalty points, which raise motorists' insurance rates.

Every state except New Hampshire requires motorists to wear safety belts.

But in most states, police can give you a ticket for not wearing your belt only if you are stopped for another violation, like speeding.

Just 11 states have "primary" seat-belt laws: a police officer can stop you simply for not buckling up. The administration wants states to pass primary belt laws and enforce them aggressively.

THURSDAY, APRIL 10, 1997

Detroit Free Press freep/business

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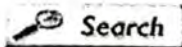
U.S. seat belt push vexes state advisers

April 10, 1997

BY JANET L. FIX

Free Press Washington Staff

WASHINGTON -- Even before he unveils his big push to boost seat belt use, a group of state safety officials is criticizing President Bill Clinton for promoting sanctions against states that don't pass tough belt use laws.



The National Association of Governors' Highway Safety Representatives, in a letter obtained by the Free Press, has blasted a Clinton administration plan to penalize states that don't pass by 2003 belt laws that would allow police officers to stop and ticket drivers who don't buckle up.

Only 11 states have such laws. Michigan is not among them.

Fewer than two-thirds of Americans regularly buckle up -- a fact blamed for the deaths of 38 children and 21 adults killed in recent years by air bags. Most of those killed were not properly buckled, the government says.

Clinton hopes to change this by announcing later this month a major initiative designed to increase U.S. seat belt use to over 90 percent. A White House official is expected to meet today with federal safety officials to discuss that plan.

The president's seat belt plan is not expected to talk about punishing states that don't comply. Rather, the administration is separately pushing legislation that would provide for penalties against states that don't pass tough belt laws.

Clinton's pending plan will focus on rewarding states that do with financial incentives, safety groups say.

While dangling carrots in his public crusade, the big stick of possible sanctions is in proposed legislation that would redirect 1.5

percent of a state's federal highway construction money to safety education programs. After 2003, 3 percent of the money would be redirected.

But any talk of sanctions would surely rile some groups that oppose any federal effort that forces states to do something politically unpopular.

In an April 1 letter to Department of Transportation (DOT) Secretary Rodney Slater, the highway safety representatives criticized the use of sanctions. They chided the Clinton administration for not first consulting with them, because they are the people in 50 states who direct safety enforcement and education.

"DOT is making a decision which will significantly impact states without first discussing the issue with them," said Laura Ludwig, chairwoman of the highway safety group.

Sanctions are a bad idea, this group and other safety officials say.

"States don't like be told what to do by the federal government," said Phil Haseltine, president of the American Coalition for Traffic Safety, a safety education group funded by the auto industry.

"Now more than ever, state legislators are prone to get their back up if they feel they're being blackmailed by the feds."

Betty Mercer, Michigan's highway safety representative, agreed. "Incentives work because in every state there are different needs and different solutions," she said. "States know best what needs to be done to protect their citizens."

Haseltine's group has proposed incentive grants for states that pass belt laws that carry big fines and penalty points on drivers' licenses. Seat belt violations in most states carry less than \$25 fines and no penalty points.

In the 1980s, President Ronald Reagan successfully used the threat of sanctions to get legislatures in all 50 states to adopt 21 as the legal drinking age.

But more recently, states and Congress balked at sanctions designed to force a national 55

m.p.h. speed limit.

LEVEL 1 - 1 OF 1 STORY

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AP Online

April 10, 1997; Thursday 11:46 Eastern Time

SECTION: Washington - general news

LENGTH: 347 words

HEADLINE: Clinton Weighs Tough Seat-Belt Plan AP-Clinton-Seat-Belt

DATELINE: WASHINGTON

BODY:

The White House is considering an initiative to require states to stiffen seat-belt enforcement or lose control over millions of dollars in federal highway money, officials said today.

Aides said Clinton planned next week to announce the plan, which is still being revised.

The goal is to prod more states to adopt 'primary' seat belt laws, which means police can stop you simply for not buckling up, or increase seat-belt use from 68 percent to 85 percent.

Every state except New Hampshire requires motorists to wear seat belts, but only 11 have primary seat-belt laws. Police in the other states cannot issue seat-belt tickets unless they stop drivers for another violations.

An administration official, speaking on condition of anonymity, said the measure likely would require states to adopt primary seat-belt laws by Sept. 30, 2002, or have 1.5 percent of their highway construction funds shifted to seat-belt enforcement programs. It would increase to 3 percent in subsequent years.

The administration may allow a state to forgo the primary seat-belt law if at least 80 percent of its drivers use seat belts.

The administration calls it a 'soft sanction.'

The idea dovetails with an administration plan to make \$125 million available to states that adopt primary seat-belt laws or show that at least 80 percent of its drivers use safety belts.

LANGUAGE: ENGLISH

LOAD-DATE: April 10, 1997



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April 14, 1997

The Honorable William J. Clinton
The White House
Washington, DC 20500

Dear Mr. President:

As budget discussions continue to move forward, we wanted to reiterate our concerns regarding the role of Medicaid in a deficit reduction package. No single decision made in the context of balancing the budget will be of greater importance to states than the treatment of the Medicaid program. For that reason, we believe that it is critical that the concerns we raise on behalf of the National Governors' Association be addressed successfully as negotiations continue. Our most vital concerns relate to the level of Medicaid savings targeted in a deficit reduction package, the per capita cap, and the disproportionate share hospital (DSH) program.

As set forth in NGA testimony before the Senate Finance Committee and the House Commerce Committee on March 11, the Governors strongly believe that the overall level of Medicaid savings included in any deficit reduction package should reflect the contribution the program already has made to deficit reduction. Despite limited flexibility in the program, Governors have been able to significantly restrain Medicaid spending in recent years. In recognition of this success, the Congressional Budget Office lowered its baseline projections of future growth in Medicaid spending by almost \$86 billion in February.

This \$86 billion makes a significant contribution to deficit reduction. Accordingly, any additional Medicaid savings included in a balanced budget package should be kept to a minimum. Governors believe that with the additional program flexibility we outlined in our testimony, another \$8 billion in Medicaid savings can be produced between now and 2002. Attached you will find a detailed description of our savings recommendations. Actual state experiences in implementation could well yield levels of savings beyond our conservative estimate.

In order to ensure that recipients retain access to high quality health care, Governors believe overall levels of additional Medicaid savings should be kept at \$8 billion. Furthermore, the method adopted for achieving Medicaid savings is of primary importance to Governors. We adamantly oppose a cap on federal Medicaid spending in any form. Unilateral caps in federal Medicaid spending will result in cost shifts to states, enabling the federal government to balance its budget at the expense of the states.

Under a cap, once the federal spending obligation is fulfilled, states would become solely responsible for meeting uncontrollable program cost increases, stemming from things such as new drug treatments, lawsuits, and disasters. In confronting this cost shift, states would be presented with several bad alternatives. States would have to choose between cutting back on payment rates to providers, eliminating optional benefits provided to recipients, ending coverage for optional beneficiaries, or coming up with additional state funds to absorb 100 percent of the cost of services.

also sent to:
Gingrich
Casper
Dole
Duckworth
Drescher

Rather than make the tough choices on budget priorities, the federal government is putting states in the position of having to make an impossible decision. No option would be painless. If states chose to address shortfalls by significantly cutting provider reimbursement rates, those who needed health care the most could find it difficult to access care. Medicaid options could not be easily eliminated, because they make up an important core of the program. More than two-thirds of Medicaid spending goes toward the elderly and people with disabilities. So-called optional eligibility categories include the frail elderly in nursing homes and pregnant women and children. The largest optional benefit in many states is coverage for critical prescription drug services. In the end, states could find that they have no choice but to raise taxes or cut other important spending priorities, such as education.

The federal government will spend almost \$7 billion on the Medicaid prescription drug benefit in 1998. Shifting costs to states through a per capita cap in order to achieve \$7 billion in savings essentially forces states to confront choices such as discontinuing a vitally important benefit that is currently provided to 24 million Americans.

The Medicaid proposals that have been set forth so far have included significant cuts in the DSH program in addition to the federal savings that would be realized through a per capita cap. Governors believe that \$8 billion in additional savings on top of the \$86 billion already produced is a reasonable savings target for Medicaid. Accordingly, we would oppose the high levels of DSH savings included in the budget proposals on the table. It is also important that DSH not be considered a potential source of savings isolated from the rest of Medicaid; DSH funds are an important part of statewide systems of health care access for the uninsured. All Medicaid savings proposals will be evaluated on the basis of their impact on the program as a whole.

Furthermore, DSH funds must continue to be distributed through states and not directly to providers. This will ensure that DSH dollars are used in ways that complement other federal and state sources of health care funding. Maintaining the state role in the distribution of DSH will ensure effective coordination with the state's overall health infrastructure.

Governors place the highest priority on the successful resolution of the concerns we have raised. We would welcome the opportunity to work with you as Medicaid issues are addressed in the context of developing a balanced budget package, and we would be happy to provide you with any additional information you may require. Because states administer the program and provide on average 43 percent of its funding, Governors must be involved in any budget negotiations related to the future of Medicaid.

Sincerely,

Bob Miller

George V. Voinovich

Lanta Chiles

Tommy J. Thompson

John Eyles

Jim Edgar

Benjamin J. Caystane

Fife Symington

Paul E. Patton

Orrel Carnahan

Greg E. Patari

Tom Ridge

Linda A. Almond

Michael O. Lewitt

Lee Miceles

Edward T. Schaper

John G. Roussell

Philip E. Sato

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Jim Leringer

Spit Out

Christine T. Whitman

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Ray Johnson

George Allen

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Mike Huckabee

Max Rancit



**Cost Saving Strategies as Alternatives
to Any Medicaid Cap
March 1997**

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This transformation is producing results. Governors have been able to significantly restrain spending despite limited flexibility in the program. Medicaid spending has grown at an average rate of less than 4 percent over the last two years. In February 1997, the Congressional Budget Office lowered its baseline projections of future growth in Medicaid spending by almost \$86 billion, reflecting the successes states have achieved in controlling costs. This \$86 billion makes a significant contribution toward efforts to balance the federal budget, and follows a similar CBO revision in December 1995 that yielded \$31 billion in Medicaid savings.

Last year, Congress initially considered Medicaid reform proposals producing \$185 billion in Medicaid savings over seven years. By the end of the debate, Congress supported a package including Medicaid savings of \$85 billion. Throughout last year's reform discussions, the President supported a reform package that would have achieved \$54 billion in Medicaid savings.

With the savings already produced and recognized by CBO, Medicaid's contribution of \$86 billion toward deficit reduction this year is well within the parameters of last year's debate. In fact, when you combine the two baseline recalculations made by CBO within the last 18 months, Medicaid savings have already contributed \$117 billion in deficit reduction, exceeding the targets of both Congress and the Administration at the end of last year's Medicaid debate.

Recommended Funding Level. Given this contribution, Governors believe that additional Medicaid savings included in any deficit reduction package developed by Congress and the Administration should be kept to a minimum. With state program transformations reflected in the new CBO baseline, there is less room in the program from which to squeeze additional savings without having a detrimental effect on the number of people served by the program or the range of benefits they receive.

However, Governors do believe that limited Medicaid savings on top of the \$86 billion already achieved are possible. The same pursuit of administrative simplification, innovation and good management that produced the extraordinary low Medicaid growth rates of recent years will continue to restrain unnecessary program spending.

We believe that with the additional flexibility outlined below, states can produce \$8 billion in scorable Medicaid savings between now and 2002. As has been the case in the past, although the scorable savings may be in the range of \$8 billion, our ability to actually achieve savings could exceed CBO's expectations with this enhanced flexibility. Governors would not support a savings target and policy changes based purely on the budgetary process. Instead, the flexibility provided through programmatic reforms should determine the level of savings targeted.

Recommended Savings Strategy. Governors adamantly oppose a cap on federal Medicaid spending in any form. It seems to us particularly unnecessary to experiment with a fundamental transformation of a program on which the federal government will spend half a trillion dollars over the next five years in order to achieve the \$8 billion in additional savings Governors consider reasonable.

Unilateral caps in federal Medicaid spending will result in cost shifts to states. The federal budget must not be balanced at the expense of states. Under a cap, once the federal spending obligation is fulfilled, states would have to choose between cutting back on payment rates, optional benefits provided to recipients, ending coverage for optional beneficiaries, or coming up with additional state funds to absorb 100 percent of the cost of services.

Governors believe that there are better ways to achieve Medicaid savings in the range of an additional \$8 billion by 2002. The Medicaid Task Force of the National Governors' Association has developed an alternative strategy to realize these savings. Governors would welcome the opportunity to work with Congress and the Administration to explore a number of options which when combined would produce significant budgetary savings.

The following reform possibilities provide Congress and the Administration with concrete alternatives to program caps. Federal legislative or administrative action would be necessary for the changes set forth below to be implemented. The specific barriers that currently prohibit state implementation are identified in boldface following each description.

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1. *Managed care.* Repeal of the waiver requirement for mandatory managed care will facilitate further development of the Medicaid managed care market. As the Medicaid markets mature, competition between managed care entities will enable states to negotiate even more favorable rates. — 1902(a)(23)

Savings attributable to managed care should be calculated using three separate assumptions. First, that managed care enrollment is mandatory. Second, that mandatory enrollment would be triggered if voluntary enrollment does not reach a targeted level. Third, that managed care enrollment is voluntary.

States have already achieved significant savings through Medicaid managed care. For example, Michigan will save \$120 million in Medicaid costs through managed care in 1998, about 2.5% of the state's total program budget. Missouri's managed care program will have saved \$50 million through 1997 compared to fee for service costs

Managed care does not simply produce a one time savings bonus for states. Between 1990 and 1996, Wisconsin has saved more than \$100 million as a result of managed care. Through competitive bidding, Florida's newest round of managed care contracts include capitation rates between 87 and 92 percent of fee for service rates. Previous contracts included rates at 95% of fee for service.

With the development of models to accommodate special population needs, Medicaid managed care will increasingly penetrate the more complicated and costly segments of the caseload - the elderly and disabled.

2. *Managed care for the dually eligible.* The dually eligible population, which currently numbers 6 million, would be enrolled in managed care, creating a more streamlined, cost-effective system of health care delivery for those elderly and disabled individuals who receive a complete, but uncoordinated, package of benefits from both Medicaid and Medicare. Managed care will produce savings for both programs, while creating a more user-friendly health care experience for recipients. -- 1902 (a)(23) and 1802

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3. *Provider selectivity.* To clarify that there is no de facto entitlement for providers to participate in the Medicaid program in the fee for service environment, HCFA should support states in their efforts to contract with a limited number of facilities so they can negotiate better rates. For example, Medicaid recipients could be directed to two out of four hospitals in a city for services, or to a particular source to have prescriptions filled. Texas and Washington each have achieved 2 percent savings in their hospital reimbursement rates through selective contracting. -- 1902(a)(23)

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6. *Cost based reimbursement.* Policies that require states to reimburse providers such as federally qualified health clinics at rates that do not reflect states' positions as dominant purchasers in the health care market place should be repealed. Wisconsin will save \$5 million annually through the repeal of FQHC provider protections.

Similarly, Boren-like language that has exposed states to lawsuits driving up rates for services including outpatient and home health care should be repealed. California's recent loss of a case on outpatient care rates will cost the state hundreds of millions per year. Ohio currently faces a cost-based reimbursement lawsuit for home health services that could cost the state between \$100 and \$130 million, essentially doubling home health reimbursement rates. —

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Managed care reforms

1. *Managed care.* Repeal of the waiver requirement for mandatory managed care will facilitate further development of the Medicaid managed care market. As the Medicaid markets mature, competition between managed care entities will enable states to negotiate even more favorable rates. — 1902(a)(23)

Savings attributable to managed care should be calculated using three separate assumptions. First, that managed care enrollment is mandatory. Second, that mandatory enrollment would be triggered if voluntary enrollment does not reach a targeted level. Third, that managed care enrollment is voluntary.

States have already achieved significant savings through Medicaid managed care. For example, Michigan will save \$120 million in Medicaid costs through managed care in 1998, about 2.5% of the state's total program budget. Missouri's managed care program will have saved \$50 million through 1997 compared to fee for service costs

Managed care does not simply produce a one time savings bonus for states. Between 1990 and 1996, Wisconsin has saved more than \$100 million as a result of managed care. Through competitive bidding, Florida's newest round of managed care contracts include capitation rates between 87 and 92 percent of fee for service rates. Previous contracts included rates at 95% of fee for service.

With the development of models to accommodate special population needs, Medicaid managed care will increasingly penetrate the more complicated and costly segments of the caseload - the elderly and disabled.

2. *Managed care for the dually eligible.* The dually eligible population, which currently numbers 6 million, would be enrolled in managed care, creating a more streamlined, cost-effective system of health care delivery for those elderly and disabled individuals who receive a complete, but uncoordinated, package of benefits from both Medicaid and Medicare. Managed care will produce savings for both programs, while creating a more user-friendly health care experience for recipients. -- 1902 (a)(23) and 1802

As above, savings attributable to enrolling the dually eligible in managed care should be calculated using three separate assumptions. First, that managed care enrollment is mandatory. Second, that mandatory enrollment would be triggered if voluntary enrollment does not reach a targeted level. Third, that managed care enrollment is voluntary.

Utah has conducted a voluntary managed care program for the dually eligible, operating within existing federal limitations, and has seen a reduction in costs for services of approximately 10 percent for the population enrolled in managed care. Minnesota's managed care program for the dually eligible has produced a 5 percent reduction compared to fee for service costs.

3. *Provider selectivity.* To clarify that there is no de facto entitlement for providers to participate in the Medicaid program in the fee for service environment, HCFA should support states in their efforts to contract with a limited number of facilities so they can negotiate better rates. For example, Medicaid recipients could be directed to two out of four hospitals in a city for services, or to a particular source to have prescriptions filled. Texas and Washington each have achieved 2 percent savings in their hospital reimbursement rates through selective contracting. -- 1902(a)(23)

Reimbursement reforms

4. *Reimbursement rates for QMBs and the dually eligible.* Recent judicial interpretations have begun to force states to reimburse providers at Medicare rates for services provided to these populations. Medicaid rates, which are on average significantly lower than Medicare rates, should be sufficient to discharge state obligations until the federal government assumes full responsibility for the cost-sharing obligations associated with QMBs and until a more integrated system is developed to serve the dually eligible. Michigan estimates that permitting the state to limit reimbursement rates to Medicaid levels for these populations would save \$85 million per year in Michigan alone. Florida had to include \$87 million in its 1997-1998 budget following a suit requiring the state to use Medicare rather than Medicaid reimbursement rates. Alabama has seen its costs increase approximately \$50 million per year following its loss in the defining case on this issue, *Haynes Ambulance Service, Inc., et al. v. State of Alabama, et al.* -- For definition of Medicare cost sharing, see 1905(p)(3)

5. *Boren repeal.* States and HCFA agree that reimbursement rates for institutional care will be significantly moderated when the Boren amendment is repealed. The American Public Welfare Association has developed a model projecting federal savings through Boren repeal ranging from a conservative estimate of \$6 billion to as much as \$8 billion over four years in nursing facility costs and additional savings ranging between \$4 billion and \$10 billion in hospital costs. — 1902(a)(13)(A)

6. *Cost based reimbursement.* Policies that require states to reimburse providers such as federally qualified health clinics at rates that do not reflect states' positions as dominant purchasers in the health care market place should be repealed. Wisconsin will save \$5 million annually through the repeal of FQHC provider protections.

Similarly, Boren-like language that has exposed states to lawsuits driving up rates for services including outpatient and home health care should be repealed. California's recent loss of a case on outpatient care rates will cost the state hundreds of millions per year. Ohio currently faces a cost-based reimbursement lawsuit for home health services that could cost the state between \$100 and \$130 million, essentially doubling home health reimbursement rates. — 1902(a)(30)(A) and 1902 (a)(13)(E)

Other reforms

7. *Cost sharing.* Significant Medicaid savings could be realized through a number of cost sharing models. For example, if every Medicaid recipient were responsible for a sliding scale premium that averages \$5 monthly, over \$2 billion in Medicaid savings would be generated annually, contributing significantly to efforts to avoid any cap in spending. An even more fundamental reexamination of family cost-sharing obligations for children with disabilities living at home or institutions would yield additional savings. Oregon has implemented a sliding scale premium for new enrollees in the Oregon Health Plan, with premiums ranging from \$6 to \$28 per month. Between December 1995 and January 1997, Oregon has collected over \$7 million in premiums from its expanded eligibility group of approximately 75,000 households. — 1916

8. *EPSDT.* Governors, Congress and the Administration should work together to assess the difference in cost between EPSDT and an actuarially based package of benefits comparable to those offered by Medicaid's package of mandatory and optional benefits. — 1905(r), especially 1905(r)(5)

9. *Fraud and abuse.* Aggressive new state-based strategies to prevent Medicaid fraud should be expanded nationwide as needed. For example, a Florida fraud reduction initiative that includes a provision requiring durable medical equipment suppliers to purchase surety bonds has produced savings between one and two percent of the state's total Medicaid budget. Florida's non-partisan budget scoring entity predicts additional savings due to fraud reduction of \$81 million in 1998 and \$111 million in 1999. There is an administrative concern regarding whether states have adequate authority to proceed without additional clarification from HCFA.

Plan links seat belt use, road funding

By Jayne O'Donnell
USA TODAY

The Clinton administration is expected to announce a controversial plan to get states to increase seat-belt use or lose millions in highway funding.

The plan, which could be out as early as next week, seeks to push seat-belt use to at least 85% from 68% now.

The administration initially would reward states with extra money if they beef up enforcement of seat-belt laws and get more people to wear belts.

But the administration also has drafted legislation that would withhold highway funds from states that don't enact tougher belt laws or achieve big gains in belt use by 2003.

Governors strongly oppose such sanctions. So does Senate Commerce Committee Chairman John McCain, R-Ariz. He wrote to governors Tuesday asking them to voluntarily enact better belt laws and enforce them more aggressively.

"It seems to me (President Clinton is) going the way of the 55 mile-per-hour speed limit," McCain says. "That was so unpopular it was repealed."

The administration is determined to get belt use up — even if it gets heat from critics.

The National Highway Traffic Safety Administration (NHTSA) estimates that seat belts saved 9,797 lives in 1995. If 85% of the population used belts, 6,920 more lives would have been saved, NHTSA says.

States can boost belt use anyway they want, but the administration will push for more stringent seat belt laws.

The plan is also expected to encourage states to hit motorists who don't buckle up with penalty points, which raise motorists' insurance rates.

Every state except New Hampshire requires motorists to wear safety belts.

But in most states, police can give you a ticket for not wearing your belt only if you are stopped for another violation, like speeding.

Just 11 states have "primary" seat-belt laws: a police officer can stop you simply for not buckling up. The administration wants states to pass primary belt laws and enforce them aggressively.

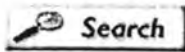
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U.S. seat belt push vexes state advisers

April 10, 1997

BY JANET L. FIX
Free Press Washington Staff

WASHINGTON -- Even before he unveils his big push to boost seat belt use, a group of state safety officials is criticizing President Bill Clinton for promoting sanctions against states that don't pass tough belt use laws.

The National Association of Governors' Highway Safety Representatives, in a letter obtained by the Free Press, has blasted a Clinton administration plan to penalize states that don't pass by 2003 belt laws that would allow police officers to stop and ticket drivers who don't buckle up.

Only 11 states have such laws. Michigan is not among them.

Fewer than two-thirds of Americans regularly buckle up -- a fact blamed for the deaths of 38 children and 21 adults killed in recent years by air bags. Most of those killed were not properly buckled, the government says.

Clinton hopes to change this by announcing later this month a major initiative designed to increase U.S. seat belt use to over 90 percent. A White House official is expected to meet today with federal safety officials to discuss that plan.

The president's seat belt plan is not expected to talk about punishing states that don't comply. Rather, the administration is separately pushing legislation that would provide for penalties against states that don't pass tough belt laws.

Clinton's pending plan will focus on rewarding states that do with financial incentives, safety groups say.

While dangling carrots in his public crusade, the big stick of possible sanctions is in proposed legislation that would redirect 1.5

percent of a state's federal highway construction money to safety education programs. After 2003, 3 percent of the money would be redirected.

But any talk of sanctions would surely rile some groups that oppose any federal effort that forces states to do something politically unpopular.

In an April 1 letter to Department of Transportation (DOT) Secretary Rodney Slater, the highway safety representatives criticized the use of sanctions. They chided the Clinton administration for not first consulting with them, because they are the people in 50 states who direct safety enforcement and education.

"DOT is making a decision which will significantly impact states without first discussing the issue with them," said Laura Ludwig, chairwoman of the highway safety group.

Sanctions are a bad idea, this group and other safety officials say.

"States don't like be told what to do by the federal government," said Phil Haseltine, president of the American Coalition for Traffic Safety, a safety education group funded by the auto industry.

"Now more than ever, state legislators are prone to get their back up if they feel they're being blackmailed by the feds."

Betty Mercer, Michigan's highway safety representative, agreed. "Incentives work because in every state there are different needs and different solutions," she said. "States know best what needs to be done to protect their citizens."

Haseltine's group has proposed incentive grants for states that pass belt laws that carry big fines and penalty points on drivers' licenses. Seat belt violations in most states carry less than \$25 fines and no penalty points.

In the 1980s, President Ronald Reagan successfully used the threat of sanctions to get legislatures in all 50 states to adopt 21 as the legal drinking age.

But more recently, states and Congress balked at sanctions designed to force a national 55

m.p.h. speed limit.

LEVEL 1 - 1 OF 1 STORY

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AP Online

April 10, 1997; Thursday 11:46 Eastern Time

SECTION: Washington - general news

LENGTH: 347 words

HEADLINE: Clinton Weighs Tough **Seat-Belt** Plan AP-Clinton-**Seat-Belt**

DATELINE: WASHINGTON

BODY:

The **White House** is considering an initiative to require states to stiffen **seat-belt** enforcement or lose control over millions of dollars in federal highway money, officials said today.

Aides said Clinton planned next week to announce the plan, which is still being revised.

The goal is to prod more states to adopt 'primary' **seat belt** laws, which means police can stop you simply for not buckling up, or increase **seat-belt** use from 68 percent to 85 percent.

Every state except New Hampshire requires motorists to wear **seat belts**, but only 11 have primary **seat-belt** laws. Police in the other states cannot issue **seat-belt** tickets unless they stop drivers for another violations.

An administration official, speaking on condition of anonymity, said the measure likely would require states to adopt primary **seat-belt** laws by Sept. 30, 2002, or have 1.5 percent of their highway construction funds shifted to **seat-belt** enforcement programs. It would increase to 3 percent in subsequent years.

The administration may allow a state to forgo the primary **seat-belt** law if at least 80 percent of its drivers use **seat belts**.

The administration calls it a 'soft sanction.'

The idea dovetails with an administration plan to make \$125 million available to states that adopt primary **seat-belt** laws or show that at least 80 percent of its drivers use safety belts.

LANGUAGE: ENGLISH

LOAD-DATE: April 10, 1997

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MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig Smith

SUBJECT: Weekly Political Update

'97 APR 18 PM 7:32

ALASKA

Incumbent Anchorage Mayor Rick Mystrom (R) was reelected Tuesday to a second term with 53% to challenger Tom Fink's (R) 43%. When approached by reporters about the possibility of running for the U.S. Senate in 1998, Mystrom did not rule out the possibility. Should Senator Murkowski (R) decide to retire and challenge Governor Knowles, Mystrom is rumored to want the seat.

ARIZONA

Jury selection for Governor Symington's (R) trial begins next week. Symington will be tried on 23 counts in connection with real estate deals. He is charged with 21 counts of providing false information to financial institutions and once count each of attempted extortion and lying in his bankruptcy proceedings.

CALIFORNIA

San Diego businessman Darrell Issa (R) announced Friday he is formally exploring a challenge to Sen. Barbara Boxer (D) and immediately put \$2 million of his own money into the effort. Issa is the third major Republican to formally explore the race. The others are San Diego Mayor Susan Golding and Treasurer Matt Fong. Several Republican Congressmen are considered potential candidates as well, most notably David Dreier, Sonny Bono, and Chris Cox.

The California State Senate voted overwhelmingly to repeal a state law that shields tobacco companies from potential lawsuits by the state and individual citizens. By a vote of 28-9 the Senate approved the bill and sent it to the Assembly where a similar proposal is pending. A compromise between the two bills is likely.

COLORADO

Governor Roy Romer may be headed for a showdown with the Colorado Legislature over welfare reform. Arch-conservatives are insisting on a welfare program that devolves power to the counties; an approach the Governor opposes. The Governor has indicated that he may call a special session of the legislature to resolve the impasse.

There are rumors that former Republican U.S. Senator Hank Brown may run for Governor in 1998.

G-8 preparations are getting back on track. Governor Romer spoke to Harold Ickes about an idea Romer has for bringing the 15 Western Governor's to Denver during the Summit to showcase a project they have been working on called the "Western Governor's University." This virtual

university based on technology is a pet idea that Romer and Utah Governor Mike Leavitt (R) are championing. Every member of the Colorado Congressional Delegation is supporting the G-8 host committee except for Republican freshman Bob Schaffer, who refuses to let his name be to used for the effort.

FLORIDA

Lt. Governor Buddy MacKay (D) received the endorsement of Tampa's very popular Mayor Dick Greco. Jeb Bush (R) was pushing Greco to support him, but the non-partisan Mayor endorsed MacKay. There is speculation that Greco may become MacKay's running mate.

The *Orlando Sentinel* is reporting that the Democrats may finally have the evidence necessary to show that the \$875,000 "independent expenditure" by the NRSC on behalf of Republican State Legislative candidates was not independent. The *Sentinel* has discovered an invoice listing the "Florida GOP" as the client for TV ads paid for by the NRSC. State Senate Ethics and Elections Committee Chairman Charlie Crist (R), who is running against U.S. Senator Bob Graham (D) in 1998, has refused to hold hearings on the legality of this "independent expenditure", but this evidence may enable the Democrats to apply more pressure. There is also speculation that the Governor is considering calling for an independent probe if Crist refuses to investigate, an ironic reversal of the situation in Washington.

GEORGIA

Mayor Bill Campbell (D) and City Council President Marvin Arrington (D) appeared together for the first time since Arrington announced his candidacy for mayor. Speaking at a charity dinner at an Atlanta University Center forum, Mayor Campbell delivered his address without mentioning his co-honoree's name, instead saying he was one of "Atlanta's most prominent public servants."

HAWAII

Maui Mayor Linda Lingle (R) who announced her interest in challenging Governor Ben Cayetano (D) has recently talked to Republican party leaders about a possible challenge to U.S. Rep. Patsy Mink (D). Lingle reportedly feels that her chances of beating Mink are better than a gubernatorial race against Cayetano.

The state legislature moved the same sex marriage issue to a constitutional amendment that will appear on the ballot in November, 1998. The language states that Hawaii will only allow marriages of the opposite sex, but includes provisions of benefits for partners of the same sex.

ILLINOIS

12th District (Carbondale). Rep. Jerry Costello (D) has been "implicated" in a supposed scheme to use his congressional influence to gain approval of a land-based casino for a gambling syndicate. The allegations involve a small-time gangster who says a partner arranged for Costello to get federal of the Pokagons Indian tribe in exchange for 25% of a casino to be built on the newly recognized Native American land. Costello denies any wrongdoing.

IOWA

Gov. Howard Dean (D), in Des Moines on Tuesday to recruit gubernatorial candidates urged Sen. Tom Harkin (D) to run.

Jack Kemp was in Des Moines, speaking at a transportation conference sponsored by the Greater Des Moines Chamber of Commerce Federation and addressing GOP state legislators. It is Kemp's second trip to Iowa this year.

KENTUCKY

The latest development in the year-long probe of alleged wrongdoing on the part of several Democratic groups in the state during the '95 gubernatorial election came this week when Attorney General Ben Chandler (D) ordered uncooperative witnesses to testify before a special grand jury. The AFL-CIO, the Teamsters, the A. Phillip Randolph Institute and the Democratic Party are under investigation for violating state campaign spending limits and engaging in improper coordination of activities. Patton said his campaign didn't do anything wrong. He supports the use of the special grand jury because he wants "all of the truth out."

MARYLAND

Baltimore Mayor Kurt Schmoke (D) said "out loud" that he plans to make a bid for the U.S. Senate in three years if Sen. Paul Sarbanes (D) decides not to run for reelection. Many observers have assumed that Schmoke was considering this bid, but this was the first time the Mayor acknowledged it.

MASSACHUSETTS

Gov. William Weld (R) denied a report that he told Treasurer Joe Malone (R) that he would not seek a third term. Weld said that this comment "was an April Fools' Day misunderstanding." Previously Gov. Weld said that he will not make his decision until September. He did add that if Rep. Joe Kennedy (D) were to announce his candidacy for governor, it might push him to declare as well.

NEW HAMPSHIRE

NH 2000. Sen. John McCain (R) will address the joint spring dinner of the Merrimack County and Concord GOP committees on May 1. Steve Forbes (R) will attend the annual New Hampshire Federation of GOP Women Lilac Luncheon in Derry on May 5. Finally, Elizabeth Dole (R) will be the keynote speaker at a small business development conference in Nashua on June 5.

NEW MEXICO

The Serna (D) for Congress campaign has \$100,000 cash on hand. Media will go up next week. Secretary Pena will be in Espanola and Albuquerque this weekend. Serna is in San Francisco and Los Angeles today and expects to raise \$15,000.

House Speaker Ray Sanchez (D) is still exploring the possibility of a gubernatorial race. He has been polling statewide and expects to make a decision within the next month.

NEW YORK

Rep. Charles Schumer (D) announced that he was running for Sen. Alphonse D'Amato's (R) seat in 1998. Schumer was considering running for Governor or Senate, and most observers believe that his decision to run against D'Amato is an indication of Governor Pataki's (R) relative strength and D'Amato's weakness. Schumer's decision puts him into a primary contest with New York City Public Advocate Mark Green (D). The question is what effect Schumer's entry will have on Geraldine Ferraro's (D) decision. One group of observers believe that Ferraro is hesitant to enter another potentially hostile primary battle considering her experience in the 1992 Senate primary, and there are reports that her husband is not very enthusiastic. Others believe that Schumer's decision makes it easier for Ferraro because she will be running against two downstate males and neither is Italian American. Either way Democrats are now concerned that the stage is now set for a repeat of the damaging 1992 primary, which contributed to D'Amato's narrow victory. The DSCC finance chairman, Senator Torricelli (D), said, "The decision about whether or not Al D'Amato is reelected will probably be made by the Democrats."

Governor George Pataki (R) officially "dumped" Lt. Governor Betsy McCaughey Ross (R) from his 1998 reelection ticket. Pataki cited her "outright refusal to work as part of a united team." Ross fired back, "I will continue to serve my term, and whatever office I choose to run for in 1998, I will make sure there is no appearance or reality of government for sale." Pataki in a move clearly aimed to soothe anger among female voters is considering three more conservative women to replace Ross. Ross has ruled out a run against Rep. Carolyn Maloney (D-14), but is still considering challenging Senator Al D'Amato (R) in a 1998 primary.

It was reported in the *New York Daily News* that Mayor Giuliani (R) quietly held more than two dozen private political fund raisers last year as he amassed an unprecedented campaign war chest. Giuliani is expected to reach the legal spending limit by the end of the month. His May 20 gala fundraiser is expected to bring the Mayor's total to \$9.5 million, which is the most that can be spent under New York City law.

NY 2000. A poll of 1,008 likely voters surveyed 4/7-10 and conducted by the Zogby Group/*New York Post* finds the Vice President as the Democratic front runner and Colin Powell as the Republican front runner.

Democratic Primary

Al Gore	34%
Jesse Jackson	10
Richard Gephardt	9
Bill Bradley	8
Bob Kerrey	3
John Kerry	3
Not Sure	30

GOP Primary

Colin Powell	24%
George W. Bush	17
Elizabeth Dole	8
Jack Kemp	8
Dan Quayle	7
Steve Forbes	7
Christine Whitman	4
John Kasich	2
Lamar Alexander	2
Fred Thompson	2
George Pataki	1

RHODE ISLAND

Gov. Lincoln Almond (R) in an effort to lure the New England Patriots to Rhode Island, used campaign funds to buy seven Super Bowl tickets for his staff. Sources indicate that Gov. Almond's campaign owes \$40,000 from a loan he made to his campaign in 1994. This is adding fuel to the speculation that Gov. Almond is not running for reelection and hopes to give the Republican nomination to Lt. Governor Bernie Jackvony. The possible Democratic candidates in the gubernatorial race are '94 nominee Myrth York; State Senator Paul Kelly; ex-Warrick Mayor Frank Flaherty; and U.S. Attorney Sheldon Whitehouse.

RI 2000. House Minority Leader Dick Gephardt (D) visited Rhode Island on April 14 to raise money for the party and "promote a package of education funding bills supported" by Rep. Patrick Kennedy (D). If Gephardt makes the decision to run, it appears he will have at one least supporter in Rhode Island. Kennedy said, "Dick Gephardt is my friend and leader in Congress. If he should choose to run for president, he has my full support."

TEXAS

Bush 2000. Governor George W. Bush is featured in a 4-page spread of the April 21 issue of *Newsweek*. It is a biographical piece on Governor Bush comparing his upbringing and political career to that of his father, former President George Bush, and sounding like a road map to the White House. While ex-President Bush led a privileged life and made all the privileges available to his son George, the article shows how this Harvard-educated governor walks and talks like a regular guy leading a regular life. The article also depicts the Bush boys, George and Jeb, as the Kennedys of the right. The article reiterates his philosophy that his generation is to blame for a permissive attitude that endangers the nation and should be replaced by a "responsibility society."

Houston. Ex-Controller George Grenias has announced he will run for mayor. Grenias and Mayor Bob Lanier clashed during their office tenure. Other possible candidates include Mayor Pro Tem Gracie Saenz (R), NYC Police and former Drug Czar Lee Brown (D), Council member Helen Huey (R), U.S. Representative Sheila Jackson-Lee (D), State Senators John Whitmire and Sylvester Turner (D). Rob Mosbacher (R) has announced his candidacy.

Welfare privatization. The Communications Workers of America, the national affiliate of the Texas State Employees Union, launched a radio advertising campaign on Monday to derail privatization of welfare programs. The two-week run features three radio ads in English and Spanish during drive time in major Texas cities. One of the radio scripts states "... That's right. The guys who brought us the \$3,000 toilet seat are trying to take over public service for families, children and seniors." The other ads focus on the possibility of losing 17,000 jobs and the confidentiality factor of personal information.

VIRGINIA

After raising more than \$3 million each, Lt. Governor Don Beyer (D) and Attorney General James Gilmore (R) began the final seven months of the campaign with approx. \$1.7 million each in the bank.

WISCONSIN

Minority Leader Dick Gephardt (D), Reps. Tom Barrett (D) and Jay Johnson (D) and '96 congressional candidate Lydia Spottswood (D) held a news conference on student aid at the University of Wisconsin-Milwaukee last Saturday. Gephardt stated that "education is the number one issue in America today." Later that same day, Gephardt asked Wisconsin Democrats to help return their party to power in the House and portrayed Republicans as irresponsible tax-cutters. (Clips are attached.) Spottswood is expected to run again for the seat currently held by Rep. Mark Neumann (R). Neumann is expected to challenge Sen. Russ Feingold (D).

A recently released March survey done by St. Norbert College/Wisconsin Public Radio poll of 407 adults (3/18 & 3/23; MoE 5%) shows a dip in Gov. Tommy Thompson's still-strong approval ratings. His excellent/good rating fell from 79% in October to 69% in March. (The October figures are based on likely voters.) Other elected officials remained relatively stable. The President slipped only 2% to 69%. Sen. Herb Kohl dropped 1% to 68% while Sen. Russ Feingold stayed even at 55%. The Vice President stands at 69%. There are no October figures on the Vice President's standing. On issues, the poll finds that Wisconsin Citizens identify taxes (25%), education (11%), crime (9%) and welfare issues (7%) as the most important issues facing them. Democrats are considered the party most able to deal with important problems by a margin of 42% to 27%.

cc: The First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Sylvia Matthews
Doug Sosnik
Rahm Emanuel
Maria Echaveste
Kitty Higgins
Marcia Hale
Bruce Reed
Gene Sperling
Mike McCurry
John Hilley

Gephardt urges GOP to address college costs

Democratic leader joins Barrett, Johnson in citing jump in student debt

By TOM HEINEN
of the Journal Sentinel staff

Saying the average debt burden for new graduates at University of Wisconsin campuses has increased 67% since 1990, House Minority Leader Richard Gephardt joined Wisconsin Democratic Reps. Tom Barrett and Jay Johnson in calling Saturday for Republicans to stop blocking legislation that would make college more affordable.

President Clinton and Democrats have proposed solutions in the House ranging from tax deductions to more grants for low-income students, but they have not been able to get the Republican majority to put the issue on the agenda for debate, said Gephardt (D-Mo.).

"In my opinion, education is the number one issue in America today," said Gephardt, who was in Milwaukee for the Wisconsin Democratic Party's annual Jefferson Jackson Dinner.

"Every student, every family understands that if we're to have a high standard of living, to have successful families, we have to have educated people. ...

"If you go around the world, you can find people who are operating and working every day at a much lower standard of living. ... The only way we can hold our standard of living and have

U.S. Rep. Tom Barrett:

"Unfortunately, ... education

isn't even on the radar screen

of the 105th Congress."

decent wages for our workers is if people have the mental capability to be 10, 20, 50 times more productive than the workers of businesses they are competing against around the world."

The congressmen held a news conference at the University of Wisconsin-Milwaukee on Saturday. They released a study showing that:

■ Graduates' average debt in the UW System rose from \$7,317 in 1990 to \$12,186 in 1995. That 67% increase outpaced a 6% growth in starting salaries and a 16% growth in inflation.

■ The percentage of graduating UW students with debt rose from 52% in 1990 to 57% in 1995.



WILLIAM J. LEZDAS/STAFF PHOTOGRAPHER

House Minority Leader Richard Gephardt chats with former congressional candidate Lydia Spottswood before his speech at the state Democratic Party's annual fund-raising dinner at the Hyatt Regency.

"I will compliment our state government, because our state government, on a bipartisan basis, has historically done a good job in keeping tuition affordable," Barrett said. "Unfortunately, ... education isn't even on the radar screen of the 105th Congress."

Timothy Casper, 23, president of the United Council of UW Students, said 35 students from UW campuses went to Washington last week to meet with Wisconsin's representatives and to deliver more than 23,000 postcards from concerned students. The students are seeking increased funding for student grant programs, changes in how student financial need is calculated, and elimination of the 4% fee for originating a student loan.

Milwaukee
Journal

Sentinel

P3 B
Local

4/13/97

Democratic leader rips GOP for tax cut fervor

At state Democratic
gathering, Gephardt
stresses 'fiscal order'

By CRAIG GILBERT
of the Journal Sentinel staff

House Minority Leader Richard Gephardt urged Wisconsin Democrats on Saturday to help return their party to congressional power in 1998, and portrayed Republicans as a party of irresponsible tax-cutters.

"What's important is that a party take over control of the Congress of the United States that has basic common sense and responsibility for putting the fiscal order of this country back into shape," said Gephardt, addressing the annual fund-raising dinner of the Democratic Party of Wisconsin at the Hyatt Regency.

Gephardt credited his own party with shrinking deficits inherited from the Reagan-Bush years and derided recent comments by GOP House Speaker Newt Gingrich on the budget:

"What is Gingrich saying then? He's saying first, 'We're going to balance the budget. Let's put the tax cut off.' Now he came out the other day and said, 'No — the tax cuts are what we need. We ought to get rid of the capital gains tax and get rid of the estate tax.'"

"Now, many of us are for revising those taxes," Gephardt said. "He said *eliminate* them. I think next he's going to say eliminate the income tax. And I guess we'll just print money."

In addition to fiscal order, Gephardt's speech also touched on a theme more traditional to his party: health care coverage.

"We've got to get every child in this country covered," said Gephardt, referring to a legislative initiative under way in Congress to provide medical insurance for children.

Gephardt was the featured speaker at the party's \$100 per person dinner, expected to raise

about \$50,000. Democratic officials here said his presence underscored the state's tactical importance next year, as the party tries to win back the House.

At least one and possibly two Republicans — Madison's Scott Klug and Janesville's Mark Neumann — will be vacating their seats in 1998. Klug has announced he will not seek re-election, and Neumann is likely to challenge Senate Democrat Russ Feingold. Both their districts traditionally lean Democratic. Gephardt also thanked party members here for helping take away two seats from the GOP last year.

A number of the state's top Democratic elected officials also spoke Saturday, many of them ridiculing what they described as a do-nothing GOP Congress.

In an interview before the dinner, Gephardt spoke along similar lines:

"They're frozen on the budget. They don't seem to be able to do anything on the budget. It's very hard to do much if you don't have a budget."

"I'm now beginning to wonder if they're ever going to come out of their deep freeze. They seem to be frozen because of their own conflicts and lack of agreement on their side about what they want to do. On the budget, half of them think their number one goal is balancing the budget, the other half think the number one goal is cutting taxes, primarily for the wealthy. Those two goals are kind of in conflict."

Gephardt said his party's top priorities in the House included health coverage for children, grants and tax breaks for college education, and pension protection.

Gephardt is widely seen as a likely presidential candidate in 2000 and a more liberal rival to Vice President Al Gore in that contest. But the minority leader stayed away Saturday from the sorts of issues on which he's expected to battle Gore, such as trade.

Milwaukee
Journal
Sentinel
P3 B
local
4/13/97

Chicago Sun-Times

FRIDAY, APRIL 18, 1997

Madigan kills concealed-weapon bill

BY DAVE MCKINNEY
SUN-TIMES SPRINGFIELD BUREAU

SPRINGFIELD—A move to allow Illinoisans to carry concealed weapons fizzled Thursday in the Illinois House because of a parliamentary maneuver by House Speaker Michael Madigan.

"We've been had," said Rep. Michael Weaver (R-Ashmore), the bill's sponsor. Weaver said he had lined up enough votes to pass the bill before Madigan's decision.

Madigan (D-Chicago) invoked a House rule that requires a supermajority to pass laws affecting home-rule governments. He indicated that the proposal needed 11 more than the 60 votes that gun-rights supporters had on hand because the bill would preempt local gun ordinances such as the ones in Chicago, Morton Grove and other suburbs.

Madigan, who opposed the bill, brushed off objections from the House floor, asking bystanders, "What's the beef?"

The gun debate dominated a

MORNINGLINE

Should small businesses have to provide family-leave time for employees?

Yes: (312) 408-3641

No: (312) 408-3642

Phone lines open until 5:30 p.m. today. (A charge for a local call to downtown Chicago applies.) Results in Monday's Sun-Times.

day in which House Democrats muscled through enhanced family-leave and flex-time benefits for workers and passed an ethics package sponsored by Madigan.

The House also voted overwhelmingly late Thursday to restore partial benefits to about 17,000 elderly and disabled legal immigrants, who stand to lose federal assistance this summer.

Rep. Manuel Santiago (D-Chicago), the initiative's sponsor, estimated that the program would cost the state \$50 million to offset

federal welfare cuts that are scheduled to kick in during July and August.

Gov. Edgar has expressed support for restoring benefits to elderly and disabled immigrants.

In another crucial vote, the House dealt a serious setback to incinerator projects in Robbins and Ford Heights by refusing to reinstitute state subsidies for the waste-burning plants.

Last year, bowing to environmental concerns, Edgar stripped the plants of \$700 million in state subsidies over the next 20 years.

Lawmakers representing the two economically depressed south-

ern suburbs contended that the communities would be denied vital economic development if the Robbins plant closed or the Ford Heights plant does not start up. But the plea fell on deaf ears in the House, falling 17 votes short of passage.

"Why should we import waste from out of state to pollute our air and pay them to do it?" said Rep. Eileen Lyons (R-Western Springs), who fought the proposal.

On another front, the House moved to revamp Illinois' campaign finance laws by approving a ban on personal use of campaign funds, voting to strengthen dis-

sure requirements and banning most gifts to state officials.

The Madigan-backed campaign reforms face an uncertain reception in the Senate.

Under the disclosure proposal, which was supported by Edgar, politicians would be required to list the occupation and employer of anyone contributing more than \$150. Current law requires the disclosure of donors' names and addresses.

Another ethics bill would outlaw most gifts that legislators and key government decision-makers now are allowed to receive from lobbyists.

FRIDAY, APRIL 18, 1997

**BY DAVE MCKINNEY -
SUN-TIMES SPRINGFIELD BUREAU**

One proposal would broaden the federal family-leave law to allow people working for companies with 25 or more employees to take up to six months off per year in unpaid leave for the births, the care of elderly parents or other family-related matters.

The federal law applies only to companies with 50 or more employees.

workers up to 24 hours per year of unpaid leave for any reason they choose. The flex time could be taken in four-hour increments per day.

Labor unions lobbied for both measures, which were sponsored by House Speaker Michael Madigan (D-Chicago). The bills now go to the Republican-led Senate.

The bills work to "allow working families to balance all aspects of their lives, at home and at work," said state Rep. Jan Schakowsky (D-Evanston).

House Republicans predicted a "disaster" for small businesses.

■ Morningline, Page 14

■ Gun bill setback, Page 14

Post-It® Fax Note	7671	Date	# of pages	16
To	Confidential	From		
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Chicago Sun-Times

FRIDAY, APRIL 18, 1997

Stroger wins Daley's support, sheds 2 potential GOP rivals

BY MARK BROWN
COOK COUNTY REPORTER

While Cook County Board President John Stroger stoked his re-election prospects with an additional \$300,000 and Mayor Daley's endorsement Thursday night, two potential Republican rivals took their names out of consideration.

Former State's Attorney Jack O'Malley and Lt. Gov. Bob Kustra said they won't be challenging Stroger or anyone else for the county post next year.

"I don't anticipate running for anything, including that office," said O'Malley, who was considered a formidable potential challenger despite his re-election defeat last year. "I don't see myself doing anything in '98."

Likewise, Kustra's press secretary, Christopher Allen, said his boss has ruled out a county race.

"The bottom line is that Bob's not running for Cook County board president," Allen said. "That's not one of the options he's considering."

Although some Democratic leaders have expressed concern that Stroger could be vulnerable next year because of the county's budget woes, his re-election chances are considered much stronger without O'Malley or Kustra in the race.

The GOP traditionally has had difficulty finding a big-name candidate to run for the board presidency in Democrat-dominated Cook County.

Stroger, who already had raised \$1,052,516 toward his re-election before Thursday's fund-raiser at the Excalibur, made it clear that he intends to seek a second term.

"I'm preparing to run," Stroger said Thursday.

Stroger emphasized that he hopes to see construction of a new Cook County Hospital brought to completion in his second term, and said he will emphasize cost-cutting during the rest of this term.

His supporters say his prospects are good, despite the fallout over a failed attempt at a large increase in the county tax on real estate sales.

"I think he'll do well," Daley said on his way out of the fund-raiser. "I've known John for years and he's done a good job."

It was Daley's support that helped Stroger emerge victorious from a three-way Democratic primary with Circuit Court Clerk Aurelia Pucinski and Commissioner Maria Pappas in 1994.

Pucinski's name has been floated as a potential rival in next year's Democratic primary, but a source close to her said she is

unlikely to run against Stroger. Pucinski could not be reached for comment, and her representative said she has made no future political plans.

The mayor dismissed the discussion of a Pucinski candidacy as "all talk."

"I don't see it," he said.

Former state Treasurer Pat Quinn also is considering the race.

MetroChicago

MONDAY, APRIL 14, 1997

Edgar pitches school reform GOP opposition downplayed as TV ads hit airwaves

By Andrew Buchanan
TRIBUNE STAFF WRITER

Gov. Jim Edgar said Sunday he believes there is growing support in the Illinois General Assembly this spring to overhaul a school funding formula that produces a startling gap between rich and poor school districts.

At a Sunday afternoon news conference in Chicago to roll out TV advertisements for his school-reform initiative, Edgar downplayed reported Republican opposition to his proposal to shift the burden of school funding from property taxes to income taxes.

The Republican governor said he thinks both House GOP Leader Lee Daniels of Elmhurst and Senate President James "Pate" Philip (R-Wood Dale) realize the time for change is now.

"There has been on [Philip's] part and many of his members an acknowledgment that we do have a problem with the equity issue and with how we fund education," Edgar said.

Daniels attended a Springfield rally last week about the issue, Edgar said.

"I think he did indicate that now is the time to do something on this," Edgar said. "I think Lee has established the parameters, and now we're trying to see if we

can get agreement."

Under the current formula in Illinois, most school funding comes from local property taxes, which vary greatly. Some school districts have as little as \$3,000 to spend annually on each child, while others can spend five times that.

"I am more optimistic now than I was a month ago, and I am more convinced than ever, that this is the year," Edgar said. "We're much farther along than I thought we'd be at this stage as far as getting many [legislators] shaking their heads yes."

Illinois Education Association President Bob Haisman, who attended the governor's news conference, said a coalition of teachers, parents administrators and others have been in Springfield meeting with lawmakers on the issue and are making headway.

"By God, we're getting some results there. I think the governor's right on his reading," Haisman said.

Edgar unveiled a pair of television ads that appeal to legislators to use the last six weeks of the spring session to tackle the school-funding issue.

The governor spoke of raising taxes, closing the gap between rich and poor school districts and the struggle of selling his plan to

skeptical suburban legislators.

"The resistance is much greater in the suburbs because they don't see the need. They don't understand schools that have outdated text books, or that don't have computers, or that have overcrowded classrooms," Edgar said.

"They have to understand that this is a large state, and we need to look at the needs of the entire state and not just one area."

Although Edgar has said he is flexible about the details, he said he believes an increase in the income tax would be the fairest way to finance \$400 million in additional school funding, coupled with \$1.5 billion in property-tax relief.

Edgar wants the state to be able to help every school district spend a minimum of \$4,225 per student.

"I have been involved in state government for almost 30 years, and this has been a problem for 30 years. The time has come to do it," Edgar said. "I ran for office to get elected so I could get something done once elected. This is what I want to get done."

The television ads began running across the state Sunday night and cost \$800,000 to produce and air, more than half of which will come from Edgar's campaign coffers. They will run for three weeks.

MetroChicago

MONDAY, APRIL 14, 1997

Candidates line up as Yates' term nears end

Schakowsky is first
to declare intentions

By Joseph Tybor
TRIBUNE STAFF WRITER

Candidates began falling in line Sunday for one of the most prized Democratic seats in Congress.

State Rep. Jan Schakowsky (D-Evanston) formally announced her candidacy for the seat occupied for nearly a half-century by congressman Sidney Yates, who has said he will retire after his current term.

Schakowsky's announcement was no surprise. She formed an exploratory campaign committee as far back as 1985 to be ready for the day when Yates finally said nay to re-election.

Though she is first, she will not be the last to seek the seat in 1998 from the Democrat-dominated 9th Congressional District, which includes the traditionally liberal North Side lakefront.

It is heavily Jewish, yet ethnically and racially diverse, snaking into parts of the Northwest Side and into Evanston, Skokie, Lincolnwood, Morton Grove and Niles.

J.B. Pritzker, heir to the Pritzker fortune that includes the Hyatt hotels, also covets Yates' position and, like Schakowsky, formed an exploratory committee a few years ago.

More recently, Pritzker has been reaching out to the kind of small donors who can provide a support base for a campaign and on March 1 hired a fundraiser.

State Sen. Howard Carroll also is considered a formidable would-be candidate. However, playing the politician, Carroll said on Sunday he will not make up his mind definitively until the current session of the state legislature concludes.

Cook County Clerk David Orr's name also has surfaced.

Yates, 87, is the dean of the U.S. House of Representatives.

He first won the seat in 1948 during the administration of Harry S. Truman and returned to office without much problem every term except when he left to run unsuccessfully for the Senate in 1962 against Republican Sen. Everett M. Dirksen.

Schakowsky and Pritzker shelved their attempts to run in 1995 and 1997 because it was considered near political suicide to oppose the popular Yates in a primary.

Yates has not formally announced this will be his last term, but in a telephone interview from Washington on Sunday, he confirmed his tenure is

SEE YATES, PAGE 2

Yates

CONTINUED FROM PAGE 1

coming to an end.

"I have not made a formal declaration of resignation, but if the question is, Will I run again? the answer is no," Yates said.

The immediate prize for the congressional warmabes is Yates' endorsement in the Democratic primary in March 1994. The winner of the primary virtually is assured election in the staunch Democratic district.

The early word is that Carroll, who served as Yates' campaign chairman in his November 1996 victory, is the favorite to get Yates' nod.

Carroll, Schakowsky and Pritzker have sought audiences with Yates in recent weeks and had talks with him or his aides, Yates said.

"It's widely believed that Yates would endorse Carroll," longtime political consultant Don Rose said Sunday.

However, a source close to Schakowsky said Yates told her he will stay away from supporting anyone in the primary.

For now, that is Yates' tack, but he left open the possibility he could change his mind.

"That may happen," Yates said of his possible endorsement of Carroll, "but I don't know that it will. Ordinarily, I haven't taken a position in the primaries. As of now, the probability is that I will not."

In making her announcement Sunday, Schakowsky picked up support from U.S. Rep. Jesse Jackson Jr. and former Democratic

National Committee Chairman David Wilhelm.

She scheduled a private fundraiser later Sunday in the lake-shore home of former Democratic National Committeewoman Marjorie Benton.

"I come from a family not just of advocates, but of fighters for social progress," Jackson told a kickoff rally at the Clarendon Park Fleckhouse. "I think I know a fighter when I see one, and Jan Schakowsky is a fighter, and that is just what we need."

To complement her campaign theme for the television cameras, Schakowsky met with several boxers working out in the field house, including Wayne Hankins, the Illinois cruiserweight Golden Gloves champion.

A three- or four-way primary would not be easy or inexpensive. Schakowsky said she expects the primary race to cost about \$1 million.

The 1990 primary, when former Chicago Ald. Edwin Eisendrath unsuccessfully challenged Yates, was at that time the most expensive congressional primary in the nation, with both candidates spending \$1.4 million.

Schakowsky said she has raised about \$100,000.

Before a group of enthusiastic supporters, Schakowsky traced her political career to 28 years ago, when she and other mothers began a fight to get freshness dates on groceries.

"A date on cottage cheese did not change the world, but it's changed my life forever," said Schakowsky. "It convinced me that a few committed individuals could make their world better."



Tribune photo by Jim Pischling

State Rep. Jan Schakowsky and her father, Irwin Danoff, embrace after she announced her bid for U.S. Rep. Sidney Yates' seat.

She worked on consumer issues for Illinois Public Action, now Citizen Action of Illinois, and was elected to the Illinois House of Representatives in 1990.

She champions many of the liberal causes that Yates has in his years of winning a 100 percent approval rating from the liberal Americans for Democratic Action.

She boasts of fights on behalf of seniors, against nursing home abuse and for universal health care reform.

Pritzker could not be reached for comment, but Rose said he "has taken organizational steps

and hired campaign people."

Carroll said he wants to remain focused on important issues pending in the legislature, but he gave an indication of how he is leaning toward making a run at Yates' job.

"Most people like a promotion, and most people would look at working on the federal level instead of the state level as a promotion," Carroll said. "I seriously love the legislative process, and I'm going to give it very, very serious thought but not until the [legislative] session is over."