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001. memo	Bob Nash to POTUS re: Office of Presidential Personnel [partial] (1 page)	05/26/2000	b(6)

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Wednesday, May 31, 2000

2019-0990-S
rs3438

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

Tab A - Entire Report: Baily/Podesta
pg 1 & 4: Sperling
pg 7: Reed
Tab C - Entire Report: Sperling/Podesta
Tab D - Entire Report: Reed/Chow/Podesta
pg 1: VP, Burson and Sperling
pg 2: Burson, VP
Tab E - Podesta/Frampton
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5-30-00

WEEKLY REPORTS

Week Ending May 27, 2000

5-30-00

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Bailey
Podesta
pg 1 + pg 4.
Spierling
pg 7:
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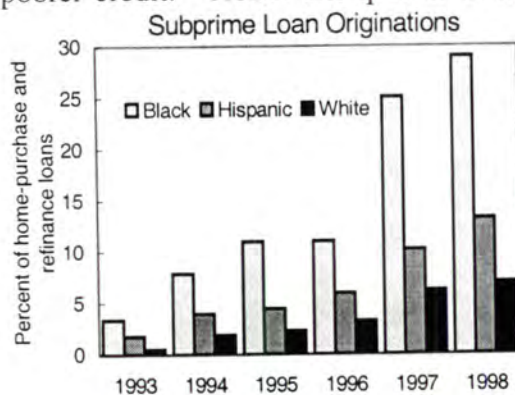
"I don't want stock options. I want you to pay your tab."

SPECIAL ANALYSIS

Keeping Predatory Lending at Bay

Increased access to mortgages for people with less-than-perfect credit has contributed to the rise in the share of American households who own homes, which at 67 percent is the highest on record. Unfortunately, this expanding "subprime" market may also be providing fertile ground for the growth of predatory practices by some lenders that can rob borrowers of hard won equity in their homes—often their only significant asset.

The subprime market. The mortgage market is divided between prime loans for those borrowers with unblemished credit and subprime loans for those with poorer credit. About one-quarter of all subprime loans in 1998 were for home



purchases and the other three-quarters were for home refinance. Subprime lenders—typically finance or mortgage companies not subject to routine regulatory compliance audits—face higher screening costs and greater default risk in making these loans and therefore charge fees and interest rates above those of the prime market. Racial and ethnic minorities are more likely than whites to be subprime borrowers. In 1998, subprime loans accounted for 29 percent of all home purchase and refinance loans issued to African Americans, 13 percent to Hispanics but only 7 percent to whites (see chart).

Growth in subprime lending. The number of subprime loan originations has increased over 15-fold since 1993. Subprime home-purchase loans have helped to make mortgage credit and homeownership more widely available. Between 1993 and 1998, the total number of home-purchase loans to African American borrowers increased 95 percent (as compared to 40 percent for whites), with nearly one third of that increase accounted for by subprime loans.

Predatory lending practices. Anecdotal evidence of abusive and predatory lending practices, particularly in low-income urban areas, have accompanied the growth of the subprime market. In addition to outright fraud, predatory practices include the steering of prime borrowers into subprime loans, excessive interest rates and fees, prepaid credit insurance, and the making of short-term or unaffordable loans. This last practice, often referred to as loan "flipping," ensures that the loan will have to be refinanced in a short time, providing the creditor with additional origination fees and prepayment penalties, which are then financed out of homeowners' equity. This is akin to a securities broker "churning" a customer's stock portfolio, with fees eating into the principal with each successive purchase and sale.

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Market imperfections may facilitate predation. The combination of consumers with limited credit experience and the absence of standardized loan products creates an environment in which these abusive practices, despite being so damaging, are not driven out by market forces. For example, a recent survey found that only 49 percent of African American respondents with "good" credit records self-assess their own records as either "good" or "very good" (compared to 72 percent of white respondents), which may make them more likely to rely on subprime and predatory lenders than necessary. In addition, the lack of standardized loans has limited competition in subprime lending.

Possible remedies. Low-income and minority borrowers have increasingly benefited from a rapidly growing subprime market, but this has come at the cost of an apparent expansion in predatory lending practices. A HUD-Treasury Joint Task Force and the House Banking and Financial Services Committee are considering proposals to limit abuses. The prohibition of particularly abusive practices such as single premium credit life insurance and restrictions on the ability of the secondary market to securitize predatory loans could improve consumer welfare. Improved financial education, tightened disclosure rules and enforcement, and the encouragement of the increased entry of regulated financial institutions into the subprime market are other potential ways to combat abusive lending.

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SPECIAL ANALYSIS

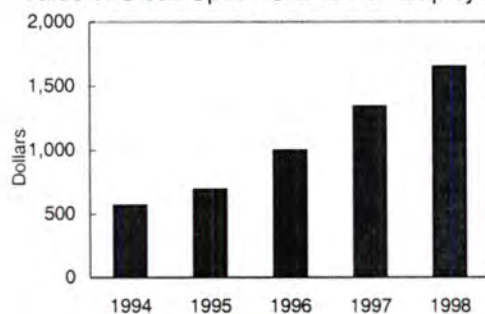
The Growing Importance of Employee Stock Options

Employee stock option plans have rapidly become an important form of compensation for employees and a powerful recruiting tool for companies, especially in technology industries. The rapid expansion of such compensation has created new challenges in measuring corporate profitability and has stimulated a debate regarding the appropriate tax treatment of stock options.

Stock option plans. A variety of stock option plans exist, but the most common type of option allows an employee to buy a predetermined number of shares at a fixed price, often the market price at the time the option is granted. If the market price subsequently rises above the fixed price, the option holder can exercise the option by purchasing the stock. The stock can be sold for an immediate profit or held in anticipation of future gains. Employers favor stock option plans because they provide workers with a stronger incentive to improve company performance and because they are treated more favorably than ordinary salary expenses under current accounting rules. For employees, stock options may represent a potentially lucrative opportunity to share directly in the fortunes of their employers. However, they may also increase the uncertainty and variability of workers' income.

Rapid growth. Stock option plans have spread quickly. A Fed study covering the 125 largest nonfinancial firms in the S&P 500 found that the value per employee of annual stock options grants nearly tripled between 1994 and 1998 (see chart). Another survey found that these plans are not reserved exclusively for

Value of Stock Option Grants Per Employee*



* For 125 largest nonfinancial firms in the S&P 500

executives. The informal survey found that 34 percent of businesses offered stock option plans to nonexecutives. But fewer than 10 percent had programs available to employees below the managerial and professional level. This extraordinary growth suggests that businesses have been shifting the compensation mix toward option-based pay and away from traditional salaries. According to a recent study, the growth in stock options may have increased the

actual annual growth rate of economy-wide employment costs in the range of 0.25 to 0.75 percentage point between 1994 and 1998—a figure not counted in the official Employment Cost Index.

Are stock options expenses? This rapid growth in stock options has created new challenges in measuring the profitability of companies. Although stock options represent a cost of doing business, current financial accounting rules do not require firms to report the cost of the most common type of option as an expense

on their income statement. As a result, earnings reported on the income statement understate the true cost of their operations and hence overstate their profitability. This discrepancy is not trivial: at the 125 S&P 500 firms discussed above, the value of stock options granted could have represented as much as 8 percent of reported profits in 1998. The Financial Accounting Standards Board (FASB) has encouraged firms to report stock option costs as a compensation expense—a convention that would conform more closely to the economic definition of labor costs. However, the FASB has continued to allow companies to omit most stock option transactions from the income statement, provided they make pro forma disclosures of net income with the cost of these options treated as an expense.

How should stock options be taxed? The taxation of stock options differs across types of option plans, both in terms of the corporate income tax paid by the employer and the personal income tax paid by the employee. Congress is currently considering the creation of a “super stock option.” This new option would combine the most favorable tax treatment of existing option plans for both employers and employees. Employers would be able to deduct stock option costs from taxable income when the options were granted or exercised. Workers, on the other hand, would only pay taxes at the capital gains rate (assuming certain requirements are met) and the tax would be deferred until the resulting shares are sold. This approach would create a further tax-based incentive to substitute option-based compensation for standard salary income, but there is no clear economic rationale for subsidizing this particular form of compensation.

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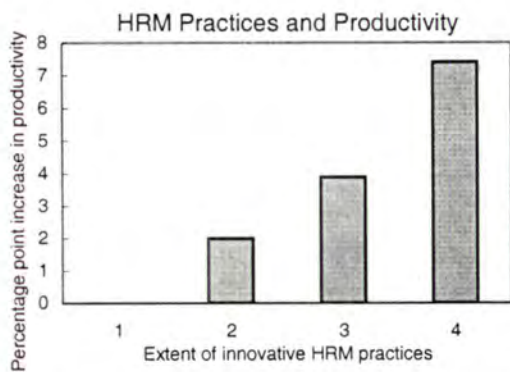
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ARTICLE

Innovative Human Resource Management Practices

Firms have increasingly introduced innovative human resource management (HRM) practices that are aimed at greater employee involvement in decision making. It is estimated that about half of all establishments have adopted some form of employee involvement program, and that the vast majority of these programs were introduced since 1987. To what degree do these innovative HRM practices raise workers' productivity, and how do these practices change the demand for less-skilled workers?

HRM effects on productivity. One recent study examined productivity differences among 41 comparable steel finishing lines in the United States and Japan. In this study, the HRM practices are divided into four groups, with the lowest group (#1) having no innovative practices and the top group (#4) having a comprehensive set of innovative practices. Innovative practices include extensive



communications with workers, off-site training, worker rotation across jobs, extensive participation by production workers on problem-solving teams, and pay that is a function of multiple attributes of performance. Based on monthly production data from steel production lines, productivity rises as the extent of innovative HRM practices increase from the lowest to highest HRM groups (see chart). The very

high returns to adopting the comprehensive innovative HRM practices suggest that individual HRM practices are particularly successful when they are adopted in unison; for example, problem-solving teams are most likely to be productive when used with other innovative practices.

Where do innovative HRM practices have the greatest impact? Evidence from another study of steel mills suggests that innovative HRM practices are most valuable in plants that produce higher-quality products or that use more sophisticated production processes—and therefore require a greater degree of problem-solving on the part of operators. These are also likely to be the plants that pay the highest wages. Plants that produce commodity products and emphasize low-cost production are less likely to gain from the investment in innovative HRM practices.

Plants that invest in innovative HRM practices are also more likely to have extensive IT investments, and evidence suggests that innovative HRM practices enhance the return to IT. In manufacturing, IT puts more minute-by-minute production information in the hands of front-line operators who are running the production lines from the computerized pulpits. Innovative HRM practices that

enable operators to use this new information to make decisions can produce higher productivity outcomes.

Problem-solving skills for high-school educated workers. As innovative HRM and IT are combined in the workplace, there is a much greater need for the development of analytical problem-solving skills among the high-school educated workers who are empowered with more decision-making on the production line. These workers need to be fluent in basic skills—reading, math, and basic computer use—but their key to higher performance and higher wages lies in their ability to solve problems on the job.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Smoking and the Relationship Between Socioeconomic Status and Health.

While it is well-known that women of lower socioeconomic status (SES) are more likely to have infants with poor health, a recent study finds that a key reason for this is maternal health habits, particularly smoking. Babies born to women over age 20 without a high school diploma are nearly twice as likely to die before their first birthday as babies born to college graduates. While this strong association between health and SES has been well-documented, the fundamental causes of the relationship are poorly understood. The study finds that in 1988, maternal health habits during pregnancy explain about half of the correlation between SES and low birth weight (low birth weight babies are 20 times as likely to die as other infants). In particular, smoking significantly increases the likelihood of low birth weight. The author stresses that because many health habits begin early in life, policies should target these harmful health behaviors among youth.

*Based
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Supply and Demand Jointly Determine Marijuana Use. The price of marijuana has a substantial impact on its use by youth, as do teenagers' perceptions of the harms associated with regular marijuana use, according to a recent study. A 10 percent increase in price is associated with approximately a 3 percent decline in use. Similarly, a 10 percentage point increase in the number of teens who believe regular marijuana use is harmful lowers annual participation by about 5 percentage points. The percent of high school seniors who report smoking marijuana in the previous year fell from about 45 percent in 1982 to a low of 22 percent in 1992. During this time, changes in price explain 55 percent of the decline while changes in perception of harm explain 40 percent. In 1992, the trend reversed and marijuana use started to increase, reaching 38 percent in 1998. Falling perceptions of harm are the dominant explanation of the increase, accounting for 80 percent, while changes in price had little effect.

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Why Aren't There More Women in Business School? Female enrollment at top business schools has plateaued at 30 percent, compared with peaks of 44 percent in law and medical schools. While an equally high percentage of male and female graduates from 12 of the nation's top business schools report being satisfied with the business school experience and their post-MBA careers, female MBA graduates are less satisfied than their male counterparts with business school culture, according to a recent study. In particular, women are less likely to feel they could relate to the people in case studies and somewhat more likely to feel the environment was overly aggressive. While the study does not provide a comparative analysis of different professions, several results suggest why this difference may exist. For example, focus groups of women who chose to pursue professional degrees other than an MBA considered the business world intolerant of diversity, male dominated, and overly focused on financial gain rather than social improvement.

INTERNATIONAL ROUNDUP

More Sub-Saharan African Women Want to Limit Births. The percent of women who want no more children has risen steadily since the 1970s in sub-Saharan Africa, according to a new study, reaching levels ranging from 20 to 40 percent in many countries by the late 1990s. One dramatic example is Kenya, where this proportion rose from 15 percent in 1977 to 46 percent in 1998. These levels, however, remain far below those seen in Asia and North Africa (40-60 percent) and in Latin America (where the proportion exceeds 60 percent in five of 11 countries studied). But not all of the women in Sub-Saharan Africa who want to limit births are using contraception. The share of fecund married women who would like to limit births but do not use contraception increased fairly uniformly in the region. In contrast, in Asia, North Africa, and Latin America the number of those who wish to stop having children but do not practice contraception has fallen sharply over the last two decades.

Swiss Voters Agree to Bilateral Agreements with EU. In a referendum last Sunday, Swiss voters overwhelmingly approved a set of seven bilateral agreements between Switzerland and the European Union which would allow gradual opening of transit, labor, and goods and services markets on a reciprocal basis. Although the EU is Switzerland's main trading partner—with more than 60 percent of Swiss exports going to the EU and nearly 80 percent of its imports coming from the EU—the traditionally independent Swiss have stayed out of the EU and the European Economic Area. The current agreements do not represent a step towards EU membership, and will only take effect once they are also ratified by the 15 EU member states.

Unemployment Low, but Lasts a Long Time in Portugal. Unlike other European countries with relatively inflexible labor markets, Portugal's unemployment rate remained low in the 1980s and 1990s. Portugal and the United States have had the same average unemployment rate over the past 15 years and their current unemployment rates are both about 4 percent. A new study, however, finds that—as in many other European countries—the unemployment pool in Portugal is much more stagnant than in the United States. The average duration of periods of unemployment is three times longer in Portugal than in the United States. The study argues that the stagnancy in the flow of workers into and out of employment in Portugal is due to excessively strong employment protection laws; the OECD consistently ranks Portugal as the country with the highest degree of employment protection among OECD countries. Legislation on collective dismissals has an uncertain effect on the unemployment rate: it can lead to lower layoffs because it imposes a long and costly process on employers, but it can also lead to a reluctance to hire new workers. The authors point out that although labor market inflexibility does not necessarily increase unemployment, in their model it unambiguously reduces overall economic efficiency because it inhibits the sorting process of the labor market.

RELEASES THIS WEEK

Advance Durable Orders

****Embargoed until 8:30 a.m., Friday, May 26, 2000****

Advance estimates show that new orders for durable goods decreased 6.4 percent in April, following an increase of 4.5 percent in March.

Gross Domestic Product

According to revised estimates, real gross domestic product grew at an annual rate of 5.4 percent in the first quarter of 2000.

MAJOR RELEASES NEXT WEEK

Consumer Confidence—The Conference Board (Tuesday)
Leading Indicators (Wednesday)
NAPM Report on Business (Thursday)
Employment (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1999	1999:3	1999:4	2000:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.9	4.6	5.7	7.3	5.4
GDP chain-type price index	5.2	1.6	1.1	2.0	2.7
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.7	3.7	5.0	6.9	2.4
Real compensation per hour:					
Using CPI	1.0	1.7	2.0	0.9	0.3
Using NFB deflator	1.5	2.9	4.0	1.8	1.8

Shares of Nominal GDP (percent)

Business fixed investment	11.4	12.6	12.7	12.5	13.0
Residential investment	4.5	4.4	4.4	4.4	4.4
Exports	8.2	10.8	10.8	10.9	10.9
Imports	9.2	13.5	13.8	14.0	14.3
Personal saving	6.6	1.7	1.5	1.3	0.4
Federal surplus	-2.8	1.2	1.4	1.2	1.9

	1970- 1993	1999	February 2000	March 2000	April 2000
Unemployment Rate (percent)					
	6.7**	4.2**	4.1	4.1	3.9
Payroll employment (thousands)					
increase per month			27	458	340
increase since Jan. 1993					21615
Inflation (percent per period)					
CPI	5.8	2.7	0.5	0.7	0.0
PPI-Finished goods	5.0	2.9	1.0	1.0	-0.3

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1998	1999	March 2000	April 2000	May 25, 2000
Dow-Jones Industrial Average	8626	10465	10483	10944	10324
Interest Rates (percent per annum)					
3-month T-bill	4.78	4.64	5.69	5.66	5.68
10-year T-bond	5.26	5.65	6.26	5.99	6.39
Mortgage rate, 30-year fixed	6.94	7.43	8.24	8.15	8.62
Prime rate	8.35	8.00	8.83	9.00	9.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level May 25, 2000	Percent Change from Week ago	Year ago
Euro (in U.S. dollars)	0.907	1.3	-14.3
Yen (per U.S. dollar)	107.5	-1.1	-12.5
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. \$)	99.53	-0.5	4.1

International Comparisons ^{1/}	Real GDP growth (percent change last 4 quarters)	Unemployment rate (percent)	CPI inflation (percent change in index last 12 months)
United States	5.0 (Q1)	3.9 (Apr)	3.0 (Apr)
Canada	4.7 (Q4)	6.8 (Mar)	2.1 (Apr)
Japan	0.0 (Q4)	5.0 (Mar)	-0.5 (Mar)
France	3.3 (Q1)	9.8 (Mar)	1.3 (Apr)
Germany	2.3 (Q4)	8.4 (Mar)	1.6 (Apr)
Italy	2.1 (Q4)	11.3 (Jan)	2.3 (Apr)
United Kingdom	3.1 (Q1)	5.9 (Jan) ^{2/}	3.0 (Apr)

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics, except as noted in footnote 2.

2/ Data from OECD standardized unemployment rates.

THE WHITE HOUSE
WASHINGTON

'00 MAY 26 09:38

5-30-00

May 26, 2000

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEC WEEKLY REPORT

Bankruptcy: Late last week, after the informal conferees agreed on all but a few "member" issues, the Republicans met among themselves and decided all the remaining open issues against the Democrats. On Wednesday, the Republican leadership attempted to attach their version of the bankruptcy bill to the crop insurance conference report. After all the members of the crop insurance conference committee had signed the conference report without bankruptcy, they circulated a new version with bankruptcy only to Republicans. Senator Leahy made clear that he would filibuster the conference report and had the support of all the Democrats. Fearing his crop insurance bill would be blocked, Senator Roberts refused to sign the new version and the leadership was forced to file the version without bankruptcy.

Meanwhile, the Senate Democrats had crafted a new offer to the Republicans on the six open issues. Schumer was charged with reaching agreement with Chairman Hyde on some version of Schumer's amendment to make judgments and settlements for clinic violence and harassment nondischargeable in bankruptcy. Torrecelli agreed to compromise with Gramm on a carve-out for small banks from some credit card disclosure requirements. Kohl agreed to compromise with Sessions and House leadership on a very limited cap on state homestead exemptions. Kennedy is developing an alternative to Grassley's effort to cap pension assets protected from creditors in bankruptcy. Kennedy's version would authorize courts to lift bankruptcy protection in cases of abuse. The Democrats will insist on dropping Hatch's anti-consumer amendment (not in either House or Senate bill) to exempt from certain provisions of the Fair Debt Collection Practices Act those who collect on bounced checks. Finally, the Democrats will forego any effort to include a means test safe harbor for low-income debtors that Chairman Hyde and the Administration had sought. While no agreement had been reached as of Friday, it is clear that the Democrats will make it easy for the Republicans if the Republicans are willing to accept any sort of reasonable agreement on these provisions. If the Democrats prevail on this new approach, **the final bill will be very far from an ideal product**, but one that will receive solid Senate support.

Digital Signatures: The Administration and the Democrats reached agreement on a digital signatures conference report with Senators McCain, Stevens, and Burns, Chairman Bliley and all the other House conferees. We believe that the final agreement will help to remove barriers to the use of electronic signatures and records in E-Commerce, while ensuring that consumer protections on-line will be equivalent -- not higher and not lower -- to those in the paper world. We also believe we adequately protected record retention requirements essential to law enforcement and ensuring regulatory compliance. Unfortunately, we did not reach agreement and secure sufficient signatures on the conference report before the Senate went out of session, and Chairman Bliley's attempt to file the conference report in the House during the recess was blocked.

X Bliley hopes to announce that the conference report is completed on Tuesday and we will issue a Presidential Statement acknowledging the agreement and praising the members who made it possible. The high tech industry (including Microsoft, IBM, Hewlett Packard, and key trade groups) are telling members that they are comfortable with the final bill and urging them to sign the conference report. However, Senator Gramm has made clear his opposition to the conference report and continues to rile up the financial services industry. While we have a bipartisan majority of each chambers' caucus on the conference signing the report, we are not certain whether Senator Gramm will find another way to block its completion unless he wins further concessions.

New Markets/Renewal Community Agreement: Your announcement with Speaker Hastert last Tuesday continues to generate a lot of bipartisan goodwill and enthusiastic support from the community development industry. We are finalizing a few key details so that legislative drafting of the tax provisions can proceed, and so that interested groups can be certain of the substance. On Thursday, the House Small Business Committee reported out the New Markets Venture Capital bill and the BusinessLINC authorization. This is good news, though the Committee's mark-up includes several provisions that should be revised to reflect better our policy consensus. Committee staff prefers to clarify our concerns in report language, which we will need to examine closely before determining whether it is sufficient. We are starting our Senate strategy and outreach.

H-1B Visas: The H-1B issue (visas for high-skilled temporary workers) remains very active. Zoe Lofgren sent a letter to Dreier asking him, as Chairman of the Rules Committee, to allow their Dreier/Lofgren bill, with certain key additions, to be allowed as a substitute for Lamar Smith's bill, which passed the Judiciary Committee. Lofgren's letter makes several positive moves in our direction although it does not meet all of our concerns. The expanded bill would include some of the key provisions in the Administration proposal -- a reasonable increase in H-1B visas, additional visas targeted to workers with the highest education levels, parity for Central Americans and Haitians under NACARA, and legalization for certain long-term migrants. However, although the bill would include an increase in user fees, the distribution of the fee would not adequately allocate resources to increased training for U.S. workers, nor would it include protections for U.S. workers, as does our Administration proposal. We will continue to work with Democratic members to craft legislation to address all of these priorities.

including
Liberians

Oil/Electricity: Crude oil closed the week at \$30.00, up 11 cents from last week's close of \$29.89. The price is being driven by tight crude oil supplies and concerns about tight supplies and the high cost of gasoline. (On Thursday, wholesale gasoline prices rose above \$1 a gallon because of concerns about whether there will be enough Phase Two reformulated gasoline this summer to meet demand for the new cleaner blend required in many parts of the country by environmental regulations.) OPEC indicated on Thursday that it may postpone its scheduled June 21st meeting until June 26th, so that Venezuelan President Chavez may attend the meeting. Prior to then, in mid-June oil ministers from Saudi Arabia, Mexico and Venezuela plan to meet in Europe to discuss production levels. NEC principals are working to develop an approach to Saudi Arabia that accounts for other concerns in our bilateral relationship. Upcoming Mexican and Venezuelan presidential elections may have an affect on their approach to production levels. With regard to electricity, DOE remains concerned about the possibility of outages this summer, and is taking what limited steps the government can to reduce the risk of shortages. The NEC is working with other offices and agencies to prepare an energy policy message that could blame our current gas and electricity problems, at least in part, on the Republican failure to pass important parts of our energy initiatives: investments and tax incentives to promote the development of advanced technologies and alternative and renewable sources of energy, and electricity restructuring. The vehicle for this could be a strong speech by John Podesta.

China PNTR: With the House vote completed, efforts will now turn to the Senate. We are being asked by Members to ensure that you and the Administration remain actively involved in the Senate process. On timing, Lott has said publicly that the Senate may not take the bill up until as late as July; Roth and Moynihan, however, have suggested a vote will take place the week of June 12. On process, Lott and Daschle have agreed publicly to resist amendments to the House Bill that would force a conference. There is apparently agreement, however, that Lott should not immediately invoke cloture, but rather that he should allow debate on various amendments. Possible Senate amendments or related legislation may include:

- Thompson/Torricelli: Seeks to restrain Chinese weapons proliferation. Threatens sanctions including a ban on access to US capital markets. Also includes business codes of conduct.
- Wellstone/Feingold: Requires annual voting on human rights and labor issues following the annual reporting already established in Levin-Bereuter.
- Baucus: Funds the US-Asia Environmental Partnership initiative.

Annual NTR: The waiver authority (i.e., the ability to extend NTR to China for another year) expires on July 2. Permanent NTR for China will not, in any scenario, commence in time to obviate the need for a waiver after July 2. To extend the waiver, therefore, you must transmit the necessary report to Congress by Saturday, June 3. Otherwise, NTR would expire at midnight on July 2. If you exercise in a timely manner your authority to extend NTR, that extension is automatic unless Congress passes a joint resolution of disapproval by August 31. Our understanding is that leaders in the House will work to pass a resolution stripping a Congressional disapproval resolution of its privileged status. This would eliminate the requirement under the House Rules that the resolution be granted a floor vote. After the vote on PNTR, there is obviously little interest in having floor consideration of the NTR legislation.

Iridium: It appears that the Iridium satellite system will be rescued, although perhaps not by Bob Johnson and Jesse Jackson. The Iridium board has recommended that the bankruptcy court accept a bid from another group of investors, whose plan is called Polaris. Although Johnson can make a topping offer at any time during the 45-day due diligence period, his representative told my staff that Johnson did not want to get into a bidding war. The Polaris proposal is compatible with Johnson's planned focus on sub-Saharan Africa. In fact, Iridium tried to get the two investor groups to join forces. Although Iridium was not successful -- both groups wanted to maintain control -- some believe the Polaris group will reach out to Johnson after its bid has been accepted. I met with Johnson last week to discuss his Iridium proposal, and my staff is continuing to talk with members of his team.

United-US Airways: As you know, United Airlines, the world's largest carrier, is proposing to acquire US Airways, the nation's sixth largest. To address possible antitrust concerns, United plans to spin off most of US Airways' operations at Reagan National Airport to Bob Johnson, who would create a "virtual" airline, DC Air. Even so, it is far from clear that the Justice Department will approve the proposed acquisition. DOJ is suing two smaller airlines, Northwest and Continental, because it believes that a deal in which Northwest acquired voting control of Continental will reduce competition. The United-US Airways deal will raise similar questions about reduced competition on hub-to-hub routes where the two airlines compete directly. DOJ will also look carefully at the possible loss of in competition in the DC area, where both airlines have a significant presence. Key issues here will be how independent DC Air will be from United, and whether DC Air could be an effective competitor to United, given its small base of operations.

Pipeline Safety: We held an interagency meeting this week on pipeline safety. Last June, a natural gas pipeline explosion in Bellingham, Washington killed three people, and the parents of the victims have been very critical of DOT's Office of Pipeline Safety (OPS). The parents, part of a larger group of environmentalists and other pipeline safety advocates, are also pushing hard to get OPS' pipeline safety programs reauthorized this year (we sent our bill up in April). The purpose of the NEC meeting was to discuss our strategy for getting Congress to act on reauthorization and to develop a response to several proposals from the pipeline safety advocates, including one for regional citizens' advisory councils similar to what was established after the Exxon Valdez oil spill. Although the agencies have some valid concerns with such councils, we are developing an alternative approach that the Administration can champion.

Research funding: You had requested a \$675 million increase in the National Science Foundation budget -- a 17.3 percent increase in the agency's budget. The House has provided only a 4.3 percent increase, a cut of \$508 million from your proposal. This would result in deep cuts to you nanotechnology and information technology initiatives, because NSF is the lead agency for both of these. This action by the House shows the importance of convincing Congress to fund research in all disciplines. In contrast, Congress is prepared to give NIH a \$2.7 billion request - a 15 percent increase.

Call me to see on rep of this

** will need to fight for this*

Russia: On Wednesday we met with Russian President Putin's economic adviser, Andrei Illarionov, to discuss the economic aspects of your upcoming summit in Moscow. Illarionov said that Putin's "400-page economic plan" will be released soon and will stress the need for a wide range of reforms—tax reform, improving the rule of law, strengthening shareholder rights, etc. He said Putin wants four main things at the summit: 1) endorsement of his reform package; 2) acknowledgement of the need for debt action; 3) support for Russia's efforts to work toward WTO membership; and 4) an invitation to the full set of meetings in Okinawa (they do not want to be excluded from the G-7 portion of the summit in July). On Soviet-era debt, Illarionov said that while the official position of his government was that the roughly one-third reduction of bank debt by the London Club should set an example for what should be done with the country's Paris Club debts, he informally told us that in the end they could accept a pledge to help them smooth out debt payments that bunch up in 2003. We promised to discuss with the Administration's international team the possibility of inviting Putin to the G-7 portion of the Okinawa Summit.

Romanian Prime Minister Isarescu Promises Economic Reforms: On Wednesday I met with Romanian Prime Minister Isarescu, who said his country had turned the corner economically and was committed to economic reforms. After four consecutive years of declines, the Romanian economy is expected to grow by 1-2 percent in 2000. Isarescu said the country was on track to implement a tough budget in 2000 (with a deficit of 3.5 percent of GDP), and that he was optimistic that Romania could meet outstanding conditions for a restart of its IMF Standby Arrangement by the end of May. With elections due this fall, however, and with Isarescu's government showing poorly in the polls, his repeated jokes about returning to his old job as head of the National Bank of Romania signaled a sense of pessimism about what might actually be accomplished in the near term.

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THE WHITE HOUSE
WASHINGTON

5-30-00

May 26, 2000

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Burson

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pg 1

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Spelling

MEMORANDUM TO THE PRESIDENT

FROM: Bruce Reed
Barbara Chow

SUBJECT: DPC Weekly Report

1. Crime/Guns – Senator Schumer’s Illegal Gun Report: This week, Senator Schumer will release his second “War between the States” report documenting the flow of illegal guns from states with weaker gun safety laws to states with stronger gun safety laws. This report shows that nearly one in four guns used in out-of-state crimes committed in 1999 were traced to four states, all of whom have relatively weak gun laws. Conversely, a high proportion of crime guns in states with tough gun laws, such as Massachusetts and New York, are traced to states with weaker laws.

As a general rule, most of the approximately 200,000 crime guns traced by ATF each year are recovered in their home states. Approximately 30,000 crime guns came from out-of-state in 1999. The four major source states include: Florida (2,065), Georgia, (1,945), Mississippi (1,788) and Texas (1,696). In addition, California (1,682) and Virginia (1,433) were also major contributors despite the fact that both have strong gun laws. However, California and Virginia have taken steps to address this problem, for example, both states have instituted one-gun per month laws.

2. Welfare – Minnesota Evaluation Results: This week, the Manpower Demonstration Research Corporation will release final results from Minnesota’s welfare reform waiver program showing dramatic impacts on increasing employment, reducing poverty, and strengthening families. The Minnesota Family Investment Program (MFIP) operated in seven urban and rural counties from 1994 to 1998. Participants were required to engage in work activities, but could also continue to receive some welfare benefits, until they passed an income cut-off. Over three years, MFIP increased employment of single parent welfare recipients by 35% and earnings by 23% compared to AFDC recipients, with a 68% increase in the percentage of families with above poverty income. Domestic abuse of mothers decreased by 18% and marriage rates increased, while children’s behavior and school performance improved. For two-parent families, MFIP had a dramatic 38% increase in the number of parents who remained married at the end of the three years. These results are embargoed until Wednesday.

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*C. Flipping
to C. Gurney*

3. Healthcare – Bipartisan Prescription Drug Alliance: Today, Senator Ron Wyden joined Congressman Bill Thomas in announcing their intention to work together to develop a bipartisan Medicare drug benefit. Senator Wyden is one of very few Democrats to contemplate a private insurance, drug-only benefit. We do not believe that this partnership will achieve an agreement. The Senate and House Democratic leadership is furious with Senator Wyden and reportedly has received assurances from the Senator that he will not undermine the Democratic position on this issue. We believe the best course of action is to give this agreement as little public attention as possible.

4. Healthcare – Patients Bill of Rights Update: On Thursday, Congressman Charlie Norwood publicly criticized the lack of progress in the PBOR Conference, while indicating his intention to push for alternative legislative vehicles to pass a strong patient protections bill. Norwood stated that he would pursue this course aggressively should the conferees fail to achieve a resolution in the first week Congress has returned from their Memorial Day Recess (June 6th). This action bolstered the Democratic conferees public criticism of the conference and set the stage to begin dual tracking work on this issue. Congressman Norwood's strategy is to work with Speaker Hastert to bring up a slightly modified bill early in the summer. If this strategy is pursued and it receives a strong vote in the House, Senate advocates may attempt to bring up the House passed bill and bypass the conference committee process altogether. It is doubtful that this strategy could prevail with such a hostile Senate, but an overwhelming favorable House vote could tip the balance.

Strong

great!!

5. Families – Paid Leave for New Parents: The Department of Labor is ready to issue the final rule that will allow States to use their Unemployment Compensation (UC) program to provide paid leave to parents following the birth or adoption of a child. In order for states to voluntarily use their Unemployment Compensation program for such purposes, the state legislature must first pass legislation allowing their UC program to be extended to provide paid leave to new parents. Last year when you first raised this issue, there were only four states that were considering such proposals in their State legislatures. Today, there are 15 states that have such a proposal under consideration. The Massachusetts State Legislature is still in session (through July 31st) and is actively considering a bill to extend unemployment benefits to parents following the birth or adoption of a child. While other states will take this up in their next legislative session, Massachusetts is the only state that could possibly take advantage of this final rule this year.

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on UC could be

6. Families – Reauthorization of the Violence Against Women Act (VAWA): Last week, in U.S. v. Morrison, the Supreme Court invalidated the civil remedy provision in VAWA that allowed victims of gender-motivated violence to sue their attackers. Although the decision does not affect other provisions of VAWA, such as the federal criminal provisions and grants to law enforcement and battered women shelters, it has provided momentum for efforts to reauthorize VAWA. In addition, a report released last week by the Bureau of Justice Statistics demonstrated that domestic violence has declined since 1993 and that VAWA programs are working. In 1998, for example, women experienced 20.3% fewer violent offenses at the hands

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of an intimate partner than in 1993. In 1996, 1997, and 1998, intimate partners committed fewer murders than in any other years since 1976.

We have been working to ramp up the pressure for reauthorization and to signal that it is a top Administration priority. We are planning a White House event to highlight the need for reauthorization and the importance of the issue to the Vice President and the First Lady.

7. Philanthropy: Last week the American Association of Fund Raising Counsel Trust for Philanthropy, released their annual report on giving, "Giving USA 2000". The report indicated that since 1993 philanthropic giving has increased by \$1trillion – more than the previous 25 years combined. Bruce Reed participated in a press conference with the Trust for Philanthropy to highlight the Administration's tax proposals.



5-30-00
EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

00 MAY 26 PM 5:35

May 26, 2000

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MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA
FROM: GEORGE T. FRAMPTON, JR. *DSS for*
SUBJECT: CEQ WEEKLY REPORT

PROTECTING COMMUNITIES FROM TOXICS

Budget

The VA-HUD appropriations bill passed by the House Appropriations Subcommittee contains serious deficiencies. The legislation cuts EPA's basic programs by nine percent and significantly slashes funding for Superfund cleanups by \$180 million. In addition, the Subcommittee refused to endorse a number of important new initiatives, including \$50 million to clean up the Great Lakes. The Subcommittee also failed to address the challenge of global warming by cutting the Administration's Climate Change Technology Initiative in half.

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Bx*

Supreme Court

This week, the Supreme Court agreed to review two cases that could have a profound impact on two Administration priorities: clean air and wetlands conservation. The first case involves an industry victory that blocked the EPA from enforcing clean air standards it adopted in 1997. Health activists and environmentalists argue that the lower court ruling will have a significant effect on the ability of the EPA to protect people with respiratory ailments – the elderly and children, in specific – from the adverse health effects of dirty air. The second case involves a local challenge to the federal government's definition of wetlands and “waters of the United States.” In the case, Illinois municipalities hope to build a landfill in wetlands that provide important habitat for ducks and other migratory birds.

Methyl Parathion

Next Wednesday, EPA will be publishing a proposal in the Federal Register to revoke pesticide residue limits – known as “tolerances” – for the pesticide methyl parathion, a substance that is already banned for many uses. This will be the first time such limits have been revoked under the requirements of the Food Quality Protection Act of 1996. The Food and Drug Administration will be publishing its proposal to provide a “safe harbor” for produce was legally treated with a pesticide that has since been cancelled, allowing such produce to legally clear channels of trade. Report language regarding this new policy was included in the House VA-HUD report.

Arsenic in Drinking Water

This week, EPA took steps to significantly reduce public health risks from arsenic in the nation's drinking water. The agency is proposing to reduce the allowable amount of arsenic in drinking water from 50 parts per billion (ppb) to 5 ppb, providing protection to at least 22.5 million Americans from cancer and other health problems. Water systems in western states and parts of the Midwest and New England that depend on underground sources of drinking water will be most affected by this proposal.

THE WHITE HOUSE
WASHINGTON

May 26, 2000

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Pg 2:
Berger

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER BALLENTINE 
RE: OFFICE OF ENVIRONMENTAL INITIATIVES WEEKLY**Climate Change**Press, Science and Industry

The seasonal rise and fall of the Great Lakes is occurring earlier in the year signifying that global warming is shifting the seasons, according to a University of Wisconsin study reported by *Reuters* (5/24). The effect was most noticeable in the two smallest of the five lakes, Erie and Ontario, which are reaching their highest spring levels about a month earlier than they have in the past. The study posited that global warming has quickened the annual melting of winter snows feeding the lakes and hastening evaporation from warmer lake waters in the fall and winter.

A panel of preeminent scientists told the board of directors of the Metropolitan Water District of Southern California, which supplies water to 17 million people, to prepare for the consequences of climate change. "The vulnerability of the state's water resources to climate change is a serious concern for us," MET Chairman Philip Pace said, adding that they must now begin to factor climate change into their water supply calculations. ✓

General Motors has joined forces with Giner Inc. to develop fuel cell vehicles. GM's head of research said that while the technology is "still immature," engineers already have solved a key problem by keeping the water involved from freezing in subzero temperatures. Meanwhile, Nissan Motor Company also announced it was looking to join with other companies to develop fuel cells vehicles, *Reuters* reported (5/23). 

International

The Pew Center on Global Climate Change released three new studies Wednesday that outline the challenges and opportunities for China, Brazil and Argentina to address climate change. The conclusions of the Chinese analysis are particularly notable:

- Due to the heavy reliance on coal-fired power generation, baseline carbon dioxide and sulfur dioxide emissions from thermal plants will more than double by 2015.
- Increasing demand-side energy efficiency by 10 percent could reduce carbon dioxide and sulfur dioxide emissions by 19 and 13 percent, respectively, in 2015, while lowering costs.
- Expanding the availability of low-cost natural gas through market reforms could reduce emissions of carbon dioxide and sulfur dioxide in the power sector by 14 and 35 percent, respectively and increase costs by only 4 percent.

6/30/00
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Legislative

The House and Senate yesterday passed, as part of the Crop Insurance Bill, a compromise version of Senator Dick Lugar's (R-IN) and Congressman Mark Udall's (D-CO) Biomass Research and Development Acts. The Biomass Act, which closely mirrors your August 1999 Executive Order, establishes a coordinated interagency research and development program in the use of biomass for the production of energy, fuels, and other products. It encourages the evaluation of new energy crops and accelerates the development of advanced biomass technologies to produce a variety of energy-related products and to reduce U.S. reliance on fossil fuels. The bill would authorize an additional \$49 million for USDA to award, cooperatively with DOE, competitive grants and contracts for bio-based product research and development.

9/2/00

Senator Pat Roberts (R-KS) also negotiated a provision in the Crop Insurance Bill to provide \$15 million in research funds for soil carbon research.

cc: The Vice President
 John Podesta
 Martin Baily
 Steve Ricchetti
 Chuck Brain
 Lael Brainard
 Charles Burson
 George Frampton
 Neal Lane
 Jim Steinberg

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

00 MAY 26 PM 5:15

May 26, 2000

5-30-00

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MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *neal*
CC: JOHN PODESTA
SUBJECT: OSTP WEEKLY REPORT

*We have to fight this
Podest out of our way*

It's Déjà Vu All Over Again – Congress Cuts NSF and NASA.....

On Wednesday the House VA/HUD Appropriations Subcommittee shortchanged your S&T budget request. The Subcommittee cut your request for NSF by \$508 million, NASA by \$322 million, and EPA's CCTI budget by \$123 million, signaling, once again, Congress' willingness to sit on the sidelines as our closest economic competitors outpace our investments in research and development.

The cut to NSF will stall research progress in Information Technology, Nanoscale Science and Engineering, and Biocomplexity in the Environment, and it will slow our efforts to train the next-generation of scientists and engineers and create a technically literate workforce for the 21st Century. The most troubling aspect of the cut to NASA's budget is that the largest portion is taken from your Space Launch Initiative, which will develop technologies that will enable NASA to save money while improving the safety for its astronauts, and enable commercial industry to better compete in the global marketplace. OSTP will work with other WH offices to mount a vigorous defense for these programs in the coming days. I spoke with university presidents about this problem at a Science Coalition dinner, and expect they will provide considerable support for your budget on the Hill.

...While NIH is Poised to Gain Another \$2.7 Billion

The Senate Labor/HHS Appropriations bill has added an additional \$1.7 billion to your request for NIH, bringing the total increase to \$2.7 billion over last year's level. The House approved your call for a \$1 billion increase, but the Committee report indicated that members would like to see the \$2.7 billion increase enacted into law. The Republicans continue to provide staggering increases to NIH while cutting your request for other areas of S&T. They have obviously failed to grasp the wisdom of a balanced S&T portfolio. We will continue to make members aware of Congress and the scientific community to show that advances in one field are often dependent on breakthroughs in other disciplines – in order to raise the appropriations levels for research fields outside of biomedical research.

Penn Restricts Human Gene Therapy Investigator

On Thursday, the University of Pennsylvania announced that the head of its Human Gene Therapy Institute, Dr. James Wilson, would no longer conduct human subject gene therapy studies. Since March, all of Penn's human subject research has been on hold under orders from FDA. Penn's decision was based on the recommendations of a report the university commissioned from a panel of outside experts headed by Dr. William Danforth, chancellor emeritus of Washington University. The panel concluded that either because of lack of

knowledge or financial resources, Penn's Institute was incapable of complying with Federal human subject regulations. One specific oversight problem cited in the report was management of investigator and institutional financial conflict of interest. My office is reviewing the Danforth report for recommendations that might be applied more broadly, including suggestions on education and resources needed to improve human research subject safety and wellbeing.

Highly Successful Gamma-Ray Satellite Coming Down

NASA's extremely productive and long-lived Compton Gamma-Ray Observatory mission – which exceeded its design life by four years – has come to an end with the failure of one of the satellite's three gyroscopes. NASA plans to steer the satellite safely back into Earth's atmosphere over the Pacific Ocean with the remaining two gyroscopes. The reentry will occur in the early morning hours (EDT) on June 4, with a landing in the Southeast Pacific Ocean, approximately 2,500 miles southeast of Hawaii. Shipping and air traffic in the area will be notified to insure that crafts will not be in the vicinity of the impact area. The reentry location is devoid of any populated land and was selected to virtually eliminate any risk to humans. Approximately 30-40 pieces weighing 40 pounds or more and traveling 200 miles per hour could reach the surface. However, with the controlled reentry, impacts are expected to be at least 600 miles from any landmass.

Compton's deorbit does not come without some controversy. Some members of the scientific community argued against deorbiting the Observatory, stating that the risks of even an uncontrolled entry are still very small and would be justified by the 3 to 11 years of additional science the Observatory could yet perform. I believe NASA has made the correct decision to deorbit Compton in the safest manner possible, but it will be missed.

Atlantis Astronauts Complete Repairs on International Space Station

Shuttle astronauts have completed the most important work of their repair mission to the International Space Station. In one week they have replaced the batteries and installed equipment in the Russian Zarya control module. They also boosted the orbiting Station's altitude by more than 20 miles. The first permanent residents are scheduled to arrive in November, after the Russian Service Module is launched in July. Atlantis is scheduled to undock Friday and land at 2:18 am on Monday, May 29 at Kennedy Space Center.



Who Wants to Be a *Math* Millionaire?

You may not be able to take a lifeline, but anyone who wants to be a millionaire, and happens to be a genius at mathematics, now has seven chances to become one. The Clay Mathematics Institute, a nonprofit foundation based in Cambridge, Mass., unveiled seven brain-bending problems on Wednesday and a corresponding number of \$1 million "Millennium Prizes" to anyone who can provide an "approved" solution. Three of the seven problems come unsolved from the list of 23 math problems announced in Paris 100 years ago by mathematician David Hilbert. These problems have taxed the greatest minds in the field for decades. To qualify for the prizes, the proposed solutions must appear in a recognized mathematics journal and then be scrutinized for at least two years, which likely means that no prize will be given before 2004. There is no time limit on the offer, and it looks like many of my staff have a new hobby.

THE WHITE HOUSE

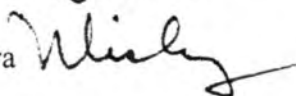
WASHINGTON

May 26, 2000

5-30-00

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra

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Ibarra
Podesta

SUBJECT: Office of Intergovernmental Affairs Weekly Report – May 22-26, 2000

CHINA PNTR

This week, prior to the vote by the House of Representatives on the China Trade Bill, 47 members of the U.S. Conference of Mayors released a letter in support of the Administration's position on PNTR. Mayor Wellington Webb coordinated the effort among the USCM membership. As the Senate takes up the matter next month, IGA will continue to encourage support for PNTR from elected officials throughout the country.

SOUTHWEST BORDER INITIATIVE

The Interagency Task Force on the Economic Development of the Southwest Border submitted its annual report to Vice President Gore on May 25, outlining various methods for better coordination of federal services to local residents who reside along the U.S./Mexico border. During this past year, the Task Force has been chaired by Secretary Summers; the new chair of the Task Force is Secretary Glickman. In the next several weeks, the Task Force plans to announce the designation of at least four border communities - out of 39 applicants - as "pilot communities," where demonstration projects will be created to test various methods of greater federal support in the region.

GOVERNOR JANE HULL (R-AZ)

As you requested, IGA gathered background information and suggested talking points for your call to Governor Hull of Arizona, when time permits. Deputy Attorney General Eric Holder spoke to the Governor on both May 19 and May 23 regarding border crossing concerns. The Governor expressed appreciation for our response.

CITY/COUNTY

Mayor Willie Brown (D-San Francisco, CA): On May 22-23, IGA staff, along with senior Defense Department and EPA officials, met with Mayor Brown and his staff to discuss the cleanup of the Hunters Point Shipyard, which was closed in 1974 and is a highly-polluted Superfund site. The cleanup of the Shipyard has been stalled, but negotiations this week may have achieved a breakthrough. The Navy and the City committed to sign a Memorandum of

Agreement by September that sets out a detailed plan to achieve most of the cleanup and conveyance of the land for redevelopment.

The Shipyard is located in an economically distressed, largely African-American section of San Francisco. A variety of community and environmental groups that have expressed increasing frustration with the Navy's seeming intransigence in the cleanup efforts held a protest rally at the Federal Building on May 25. IGA staff met with the leadership of several of those groups, who were pleased with the apparent progress in the talks and with the high-level interest, both in the White House and Pentagon, in seeing this issue resolved quickly. Mayor Brown issued positive statements to the press.

L.A. County Medicaid Waiver: HCFA officials continue to work with Los Angeles County and the State of California to resolve issues related to the extension of the County's 1115 Medicaid waiver, which is set to expire on June 30, 2000. Today, John Podesta will be calling Governor Gray Davis to reiterate the need for the State to put forward a self-sufficiency proposal as a means for any long-term extension (and eventual phase-out) of the waiver. Thus far, the State's Health Department has said that the State cannot commit now to any new funds, even in future years, despite the State's current estimated budget surplus of between \$7 and \$10 billion. As a short-term solution, if the State does not put forward a self-sufficiency plan, HCFA is prepared to grant a one-year extension at current levels. 

EZ/EC Briefing for Mayors: On May 24, IGA participated in a conference call briefing hosted by the CEB for mayors of the 31 empowerment zones. The purpose of the call was to discuss Round II funding and to brief them on your New Markets / Renewal Communities Agreement with Speaker Hastert. The mayors were encouraged by the Agreement and look forward to working with the Administration to build support in the Senate. IGA is currently discussing with the mayors a potential fly-in for mid-June.

INSULAR AREAS

FBI Puerto Rico Files: Director Freeh released to Representative Jose Serrano (D-NY) 8,600 pages of files of a former FBI program that watched Puerto Rican nationalists and leaders and disrupted nationalist efforts. Earlier, Freeh reportedly acknowledged destructive and illegal acts to Serrano. That statement came after Governor Pedro Rossello (D) released Puerto Rican police files on hundreds of thousands of people and proposed compensation for them.

Lazio on Puerto Rico: Representative Rick Lazio (R-NY) stated his support for a referendum on Puerto Rican statehood and closing the Vieques bombing range.

Vieques Outreach: Maria Echaveste, Jeff Farrow and I updated elected officials of Puerto Rican descent living in the States and U.S. religious leaders about your solution to the Vieques issue. Several national Hispanic groups that had earlier said your proposal did not go far enough began to lobby the Senate in favor of the land transfer legislation your solution proposed.

SALT LAKE OLYMPICS

On May 12, Mitt Romney, Salt Lake City Olympic Organizing Committee (SLOC) President and CEO, released a Justice Department letter advising SLOC that "based upon the evidence currently available to us, we have no present intention of seeking the indictment of the Salt Lake City Olympic Organizing Committee [SLOC] for its actions to influence members of the International Olympic Committee to select Salt Lake City as the venue for either the 1998 or 2002 Winter Olympic Games."

5-30-00

30 MAY 26 2000

THE WHITE HOUSE
WASHINGTON

May 26, 2000

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MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. **T.M.**
KRIS M. BALDERSTON

SUBJECT: Summary of Cabinet Weekly Reports
May 20 - 26, 2000

AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **National Moment of Remembrance:** During this Memorial Day weekend and in the weeks leading up to the weekend, members of your Cabinet and employees throughout the agencies have been working to amplify the National Moment of Remembrance. Many agencies are listing on their websites names of those that have fallen, and Members of the Cabinet have mentioned the moment during speeches and commencements leading up to Memorial Day. The entire Cabinet has been notified of the Moment of Remembrance, and at 3 p.m. on Monday, Secretary West will host an event and wreath laying at the Tomb of the Unknown. At the same time, General McCaffery will host an event at the Vietnam Veterans Memorial.

DEPARTMENT OF TREASURY

- **Russia:** On May 24, Secretary Summers met with Andrei Illarionov, economic advisor to President Putin. Illarionov expressed great interest in U.S. economic issues, such as the budget surplus and growth prospects. He also raised economic issues for the upcoming U.S.-Russia Summit, including Russia's relations with the International Financial Institutions and the Paris Club, and described some aspects, such as tax reform, of their likely economic program. Illarionov expects their economic program to be approved by the government in late June. On May 23, Secretary Summers also met with former Russian First Deputy Prime Minister Chubays.
- **Money-Laundering:** During the week of May 22, Deputy Secretary Eizenstat held several meetings on money laundering. On May 23, he met with Senator Bennett to urge him to co-sponsor the Administration's International Counter-Money Laundering Act of

2000, which is expected to be marked up by the House Banking Committee in early June.

On May 24, he met with a Russian delegation, which included the Chair of the Duma Committee on Credit Organizations and Financial Markets, to urge Russia to pass money laundering legislation. On May 25, he met with Liechtenstein Justice Minister Frommelt to emphasize US dissatisfaction with their money laundering regime. Liechtenstein is concerned about the likelihood that it will be placed on the 26-nation Financial Action Task Force list of non-cooperative jurisdictions in June.

- **Digital Signatures:** During the week of May 22, staff from the Office of Domestic Finance participated with DOC in extensive bipartisan negotiations with conferees on electronic signature legislation. The legislation removes unintended barriers to electronic commerce and clarifies the legality of certain electronic transactions by stating that such transactions may not be denied legal effect, validity, or enforceability solely because they are in electronic form. Treasury is working to ensure that the legislation includes the same consumer protections for electronic transactions as for transactions conducted on paper.
- **Estate and Gift Taxes:** On May 25, the House Ways and Means Committee voted to approve legislation sponsored by Chairman Archer that would repeal estate and gift taxes. The legislation calls for reductions in the estate and gift tax rates over the next several years, followed by a complete repeal of these taxes in 2009. House Democrats intend to offer a substitute, which would include broadening the estate tax base but lowering rates and expanding the unified credit to \$1.5M. On May 25, Secretary Summers and Chief of Staff Podesta sent a letter to Chairman Archer and Ranking Member Rangel stating that the Administration opposes the legislation because it would reduce the overall fairness and progressivity of the tax system, would be fiscally unwise, and would harm charitable giving, and that you would veto the legislation if it were presented to you.

DEPARTMENT OF JUSTICE

- **Union Officers Indicted on Embezzlement Charges:** On May 17, a couple was charged in an 8-count indictment with embezzlement and other crimes committed while both were high-ranking officers of Buffalo's AFL-CIO Hospital and Nursing Home Council. The indictment accuses the defendants with systematically embezzling thousands of dollars in "severance" pay from the council and its pension fund. The stolen funds totaled approximately \$235,000.
- **Court Strikes Down Telecommunications Act Provision:** On May 22, the Supreme Court ruled that section 505 of the Telecommunications Act of 1996 violates the First Amendment. Section 505 requires a cable operator providing sexually explicit adult programming either to scramble the signal or to limit the programming to evening hours. In a 5-4 decision, the Supreme Court held that section 505 is a content-based regulation



that singles out particular programmers for regulation. In applying strict scrutiny, and finding that the statute did not survive that standard, the majority emphasized two factors. First, it noted that another section of the Act provides for blocking particular channels by subscriber request and is thus more narrowly tailored to the government's goal of supporting parents who want sexually explicit channels blocked. Second, the majority concluded that there is no proof as to how likely any child is to view a discernible explicit image, and that the First Amendment requires a more careful assessment in order to justify a regulation as sweeping as this.

- **Terrorism Training:** On June 13, the United States Attorney for the E.D. AR will sponsor, "The New Face of Terrorism." Speakers will discuss the impact of terrorism on the community, the roles of first responders, school shootings, emergency response challenges, and understanding the effects of terrorism incidents. Attendees will include law enforcement personnel and health care professionals.

DEPARTMENT OF INTERIOR

- **Cerro Grande Fire:** The Cerro Grande fire burning near Los Alamos, NM, has been 100 percent contained. The fire burned 47,650 acres and destroyed 235 structures. The NPS has established a toll-free telephone number for those who have experienced losses due to the fire. The Fire Investigative Team report issued May 18 found numerous deficiencies in the planning and execution of the prescribed burn that became the Cerro Grande Fire. After the Fire Review Board reviews the Investigative Team report, NPS will make decisions about possible personnel actions related to the fire. OMB, in conjunction with DOJ, DOI, USDA, and other relevant agencies, have drafted issue papers and proposed legislative language which has been sent to the NM delegation.
- **Grand Canyon Fire:** On May 22, an interagency investigative team released its report on the Outlet Prescribed Fire Project at Grand Canyon National Park. The planned 1,030 acre fire on the North Rim of the Grand Canyon was ignited on April 27. It converted to a wildland fire on May 9 and eventually consumed 13,000 acres. Although it did not damage any structures, it did force a temporary evacuation of the North Rim. The investigative team report found that the Grand Canyon prescribed fire program is fundamentally sound. However, during the Outlet fire, available fire leadership in the parks was spread too thin over too long a time. Also, the fire plan did not contain clearly documented benchmarks for escalation of contingency resources as the complexity and size of the burn increased.
- **CA Refuge Water Supply Contracts:** BOR recently held the first meeting to negotiate new long-term water service contracts with the CA Department of Fish and Game and the Grassland Water District. The purpose of the meeting was to discuss anticipated provisions, establish each party's negotiation team, and set the schedule for future

negotiation sessions. The water service contracts are to provide firm water supplies of suitable quality to maintain and improve wetland habitat areas in accordance with the requirements of the Central Valley Project Improvement Act.

- **AR River Shiner Critical Habitat:** As part of a lawsuit settlement, FWS has agreed to publish a proposed critical habitat designation for the threatened AR River Basin population of the AR River shiner by June 23. This plains minnow is endemic to the AR River and its tributaries in AR, OK, KA, TX, and NM. It is now found in significant numbers only in the Canadian/South Canadian River system in eastern NM, the TX panhandle, and OK. The draft critical habitat proposal recommends designation of about 1,200 river miles in KA, NM, TX, and OK.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **China Trade:** On May 23, the Director General of China's Inspection and Quarantine Service announced to USDA that China will agree to allow imports of American tobacco, previously banned due to concern over possible contamination with tobacco blue mold, a harmful disease to tobacco crops. USDA had assured China there was no risk of the disease being transported in U.S. dried tobacco.
- **Crop Insurance Reform:** On May 24, the joint House and Senate Conference Committee met and approved the Conference Report for the Agricultural Risk Protection Act of 2000. The Conference Report now goes to the House and Senate floors along with the \$7.1B package to strengthen the farm safety net for producers, most of which will be distributed by September 30.
- **Freedom to E-file Act:** On May 18, the Senate passed the Freedom to E-file Act by unanimous consent. It is anticipated that the House will act this week on the bill, as amended by the Senate. The bill requires USDA to establish an Internet based filing system enabling farmers to complete and submit forms electronically. To ensure speedy and effective implementation of the bill, USDA Service Center agencies will require full funding for the Common Computing Environment initiative.
- **Glassy-Winged Sharpshooters Threaten CA Wine:** On May 17, glassy-winged sharpshooter eggs were found for the first time in Sonoma County, CA, threatening CA's major wine producing area. The GWS spreads Pierce's (a bacterial) disease, attacking and destroying grape vines. Nearly \$30M is being spent to eradicate the pest, including \$360,000 in contingency funds provided by USDA. Governor Davis is expected to declare a state of emergency in response to this newest detection.

- **Commodity Markets:** Wheat cash prices were up for the week in slow farmer selling, but futures fell as the winter wheat harvest advanced. Rapid planting progress and rain in the Midwest sent corn and soybean prices down. Rice cash prices held steady, while futures received a boost from increased export demand. Cotton cash prices rose for the week, but futures fell on reports that China's 2000 crop could be larger than expected. Ample feedlot supplies helped push cattle prices down. Weak wholesale pork prices led hog prices lower. Good food service and retail demand sent broiler prices up slightly. Cheese prices moved below support as supplies remain ample and milk prices continue to fall. Butter prices bounded higher as several buyers jumped unexpectedly into the market.
- **Drought Report and Recommendations:** The National Drought Policy Commission has released its recommendations for dealing with the threats and impacts of droughts in the U.S. The Commission, created by Congress in 1998, recommended that national drought policy provide adequate funding for conservation technical assistance programs and drought preparation aid to local governments through the Small Watersheds Program

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DEPARTMENT OF COMMERCE

- **US-EU Summit:** Secretary Daley will participate in the May 31 U.S.-EU Summit in Lisbon to address resolution of the WTO Foreign Sales Corporation case, biotech trade, aircraft hushkits and launch of a new WTO Round. It now appears likely that an agreement on data privacy will be completed in time for the Summit and Secretary Daley expects to announce this long-sought commercial achievement. Summit discussions may result in a statement being issued on areas of US-EU agreement, including the need to narrow the digital divide and the importance of deregulation in spurring growth in industries of the future.
- **Export Control Jurisdiction of Chemical Weapons Cleanup Items:** The Bureau of Export Administration submitted an expedited commodity jurisdiction request to the State Department to resolve the issue of whether export of certain items needed for cleanup of some 50-year-old chemical weapons sites in China are controlled by DOC or State. The sites are currently under the control of China's People's Liberation Army. Several U.S. firms would like to bid process for destruction of these weapons. DOC believes that dual use equipment of the type at issue here has historically been under its export control jurisdiction. If the items are found to be under State Department control, a Presidential waiver of the Tiananmen Square sanctions would be required.
- **Gulf War Illness:** The Director of the Presidential Commission for Gulf War Illness has requested that NOAA provide satellite images of the Persian Gulf region in January and February 1991. The Satellite Services Group of the National Climatic Data Center compiled 38 cloud free, or almost cloud free, NOAA Polar Orbiter Satellite scenes.

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- **E-Commerce Small Business Summit:** On June 23, DOC, USDA, and SBA will sponsor the E-Commerce Small Business Summit. This conference will provide small business owners with information necessary to assess the impact of electronic commerce on their industries, to develop a strategic framework for participating in the new digital economy, and to evaluate potential solutions. Secretaries Daley and Glickman are expected to speak.
- **Innovations in American Government Awards:** The U.S. Patent and Trademark Office (PTO) has been named as a semifinalist in the Innovations in American Government Awards competition sponsored by the Ford Foundation. The PTO is being recognized for its Trademark Electronic Application System. Finalists will be named in early September and ten winners will be announced October 13.
- **Clean and Sustainable Energy Projects for China:** On May 11, DOC and International Trade Administration advocated on behalf of several U.S.-sponsored clean energy projects during an energy bilateral with Chinese State Development and Planning Commission Vice Chairman Zhang Guobao in San Diego, CA. DOC discussed the role of U.S. nuclear companies in China, and also raised the Code Division Multiple Access technology issue with Zhang, stressing the need for the Chinese to keep their commitments.

DEPARTMENT OF LABOR

- **Women 2000:** On June 5-9, DOL's Women's Bureau Region Two office will participate in the Women 2000: Beijing Plus Five Special Session of the UN General Assembly.
- **Agricultural Labor:** In the long-running struggle between the United Farm Workers and CA strawberry growers, the Agricultural Labor Relations Board has upheld a court decision recognizing the union as the bargaining representative for employees at the Coastal Berry Co. UFW President Arturo Rodriguez called for speedy resolution of any remaining issues. The UFW had specifically targeted Coastal Berry, one of the largest growers. CA is the only state with an agricultural labor relations board.
- **Communications Industry:** The Communications Workers of America, representing 35,000 workers in the NY-NE region, have threatened a one-day strike on May 31 against Bell Atlantic Corp. The union suspended an earlier threat to strike on May 24, citing improved progress in negotiations. Unfair labor practice strikes are permitted under the National Labor Relations Act. The most serious "ULP" charges made against the company are unilateral implementing in health care coverage and transferring jobs to non-union sites.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **National Nutrition Summit:** HHS and USDA will sponsor the National Nutrition Summit on May 30-31 in Washington, DC. Among other things, the Departments will be announcing at the Summit a year-2000 edition of *Dietary Guidelines for Americans* – the Federal Government’s most basic guidance on healthful eating patterns; and new Pediatric Growth Charts -- which show average height, weight, and body mass index by age and sex for children and teens, and are widely used in clinical practice, epidemiologic research, and program development.
- **Surgeon General’s Report on Oral Health:** On May 25, the Surgeon General’s Report, *Oral Health in America*, was released at Shepherd Elementary School in Washington, DC. The report emphasizes that oral health is essential to general health, that disparities among oral health status exist among various population groups in the Nation, and that there are safe, effective and proven methods to promote oral health and to prevent common oral diseases and adverse conditions.
- **Genetic Testing Advisory Committee:** On June 5-7, the Secretary’s Advisory Committee on Genetic Testing will hold its regular meeting in Washington, DC. This Committee was established to assess the adequacy of current oversight of genetic testing, and, if warranted, to recommend options for additional oversight. Agenda items include the adequacy of oversight of genetic tests; clinical validity and utility and FDA’s review process; update on public-private data collection; genetics education of health care providers; human gene patenting/licensing practices and access to genetic tests.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **New Home Sales:** The nation’s housing sector is on pace for a record year in new-home sales after registering first quarter increases in building permits, housing starts and completions, according to a report released by Secretary Cuomo. HUD’s *U.S. Housing Market Conditions 1st Quarter Report* shows that in March new home sales were at the second-highest monthly level ever recorded and the first quarter level was the second highest quarterly value. If this level continues throughout the year, 2000 will be the best year ever for new home sales.

DEPARTMENT OF TRANSPORTATION

- **Proposal to Include Auto Safety Rollover Ratings:** On May 25, responding to growing public interest in safety information, Secretary Slater will propose a rating program to provide consumers with a measure of a vehicle’s likelihood to rollover. The program would provide star ratings for rollover performance, the same approach currently used for providing information about performance in frontal and side crashes in the New Car

Assessment Program. A key component of the DOT rollover information campaign will be to continue educating the public about the importance of always using seat belts and age appropriate child restraints. DOT will open a 90-day comment period to solicit public comment on its proposed rollover rating program. Final decisions on the rollover rating program, which is set to begin with 2001 model vehicles, will be made this summer.

- **New FAA Surveillance Radar:** On May 16, in a significant milestone in the modernization of the National Airspace System, the FAA recently completed the final installation and acceptance of innovative air surveillance radar technology that will enhance air safety through improved position information and weather detection. The Air Route Surveillance Radar (ARSR-4) replaces obsolete radar with all-solid-state, long-range, three-dimensional radar providing aircraft position information to the FAA, Air Force, Navy and Customs Service.

DEPARTMENT OF ENERGY

- **Russia and Ukraine Trip:** In preparation for your upcoming trip to Russia, DOE is working on the development of the following initiatives: the Bilateral Plutonium Disposition Agreement, the DOE Civil Plutonium Initiative, arrangements for the move of the perimeter security system at the Avangard Weapons Production Facility (a milestone reduction in size of the Russian nuclear complex), and the Extension Protocol of the Nuclear Weapons Warhead Safety and Security Agreement. While in Moscow, Secretary Richardson will meet with newly-appointed Minister of Energy Gavrin to discuss U.S.-Russian cooperation on oil and gas investment in the Russian energy sector, energy efficiency, and the bilateral Coal Working Group. In Ukraine, Secretary Richardson will publicize the progress made in U.S. government efforts to support Ukraine's nuclear power energy sector, specifically the Nuclear Fuel Qualification Project.
- **Electricity Summits:** Secretary Richardson will host more in his series of regional summits between Federal, state and local government officials, regulators, utilities and consumers to discuss ways to enhance the reliability of our electric system. He has hosted summits in CT, NJ, LA; CA, and, WA. He will host a summit in Houston, TX on May 26 with State Senator Rodney Ellis and in Akron, OH on May 31. Summits are also tentatively scheduled in Tallahassee, FL and Richmond, VA.
- **Energy Efficient Washing Machines:** On May 23, Secretary Richardson joined executives from the nation's top appliance makers and energy efficiency advocates, to announce that a significant agreement was reached to improve the energy efficiency of residential clothes washers. The agreement represents the latest in a string of agreements reached with the appliance industry to develop and manufacture energy-efficient and

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cost-effective consumer products. Last month, Vice President Gore announced proposed standards to improve the energy efficiency of residential water heaters, which would save consumers more than \$23B in energy costs over the next 20 years. By the end of the year, DOE expects to issue rules for fluorescent lamp ballasts, residential central air conditioners, commercial heating, air conditioning and water heating equipment.

DEPARTMENT OF EDUCATION

- **Direct Loan Milestone:** On May 3, the one-millionth FAFSA Web application for the 2000-2001 processing cycle was received. In addition, the Direct Loan program booked its 5 millionth borrower, bringing the Direct Loan portfolio to over \$52B. Finally, the first borrower of the Direct Loan program has paid off her loan in total.
- **America Reads and America Goes Back to School:** On May 25, Secretary Riley kicked off the sixth annual Read Write Now summer reading program. Over 2.5 million reading kits featuring children's character "Arthur" are being distributed nationwide. Secretary Riley sent letters to cabinet-level officials encouraging them to visit summer reading programs and to participate in America Goes Back to School.

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ENVIRONMENTAL PROTECTION AGENCY

- **Supreme Court Review of Ruling on Clean Air Rules:** Earlier this week, the Supreme Court accepted EPA and DOJ's petition to review the DC Circuit Court of Appeals ruling that blocked EPA from enforcing tightened smog and particulate matter standards. The Supreme Court left pending additional petitions for review of the decision from MA, NJ, and the American Lung Association, as well as a cross-appeal by an industry group fighting the petition for review. EPA expects oral arguments to be heard on the case later this year, with a decision from the Supreme Court in 2001.
- **Dioxin Exposure:** EPA is progressing toward completion of its reassessment of dioxin exposure and human health effects which began in 1991. As part of the planned internal government review, EPA conducted a series of briefings for its federal partners beginning on April 25. On or about June 9, EPA expects to provide copies of these external review drafts for an independent scientific peer review and will also begin the process of public review. Based on the comments received, the documents will be revised and submitted to EPA's Science Advisory Board for final peer review scheduled for October.
- **No Radioactive Release at Los Alamos:** EPA, DOE and NM's air monitoring results indicate that there has been no release of radioactive materials at the Los Alamos labs due to recent fires in the area. Samples indicated only background levels of radiation. As a result, EPA's radiation team has concluded its monitoring and left the response to the fires to the appropriate agencies.

UNITED NATIONS

- **Sierra Leone:** The Security Council will continue to receive updates from the UN Secretariat and monitor the situation as more peacekeeping forces arrive up to the authorized level of 13,000. The Council will consider the Secretary-General's recommendation to augment mission force size to 16,500 and to review the mandate of the UN mission there. The British plan to introduce a draft resolution next week in support of the Secretary-General's proposals.
- **Lebanon:** UN Special Envoy Larsen returned to the region on May 23 and is due to brief the Council when he returns on June 3 or 4. His report will form the basis for Council action on verification of Israel's withdrawal and fulfillment of Resolutions 425 and 426, including an increase in the troop strength of UN Interim Force in Lebanon.
- **Golan Heights:** The Security Council is expected to renew for six more months the mandate for the UN Disengagement Observer Force that separates Israel from Syria on the Golan Heights. Normally, renewal is pro forma, but the issue of the Sheba Farms, territory on the Golan now claimed by Lebanon but certified as part of Syria in 1974 when UNDOF was negotiated, could be a point of discussion.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **U.S./Mexico Binational Drug Demand Reduction Conference:** On June 1, Director McCaffrey will keynote the U.S./Mexico Binational Drug Demand Reduction Conference. The Conference will bring together more than 300 substance abuse experts, educators, and government officials from the U.S. and Mexico. They will work to expand cooperation between the U.S. and Mexico on substance abuse prevention and treatment efforts and strengthen the commitment of the U.S. and Mexican governments to address the threat posed by illegal drugs together.

SMALL BUSINESS ADMINISTRATION

- **Small Business Week 2000:** From May 23-26, SBA held its annual Small Business Week celebration at the International Trade Center. This year's theme, *A History of Success, a Millennium of Opportunity*, honored entrepreneurs who have helped create the strongest economy in U.S. history. Highlights from Small Business Week 2000 included: Agreement between DOEd and SBA to bridge the Digital Divide, Millennium of Success Forums, and New Markets Lending Awards.
- **E-Commerce:** The new e-Commerce publication, *eSmall Business: An interactive eCommerce Guide*, will be available in June. The guide will help small firms compete in the new digital economy and provide information about e-Commerce strategies.

OFFICE OF PERSONNEL MANAGEMENT

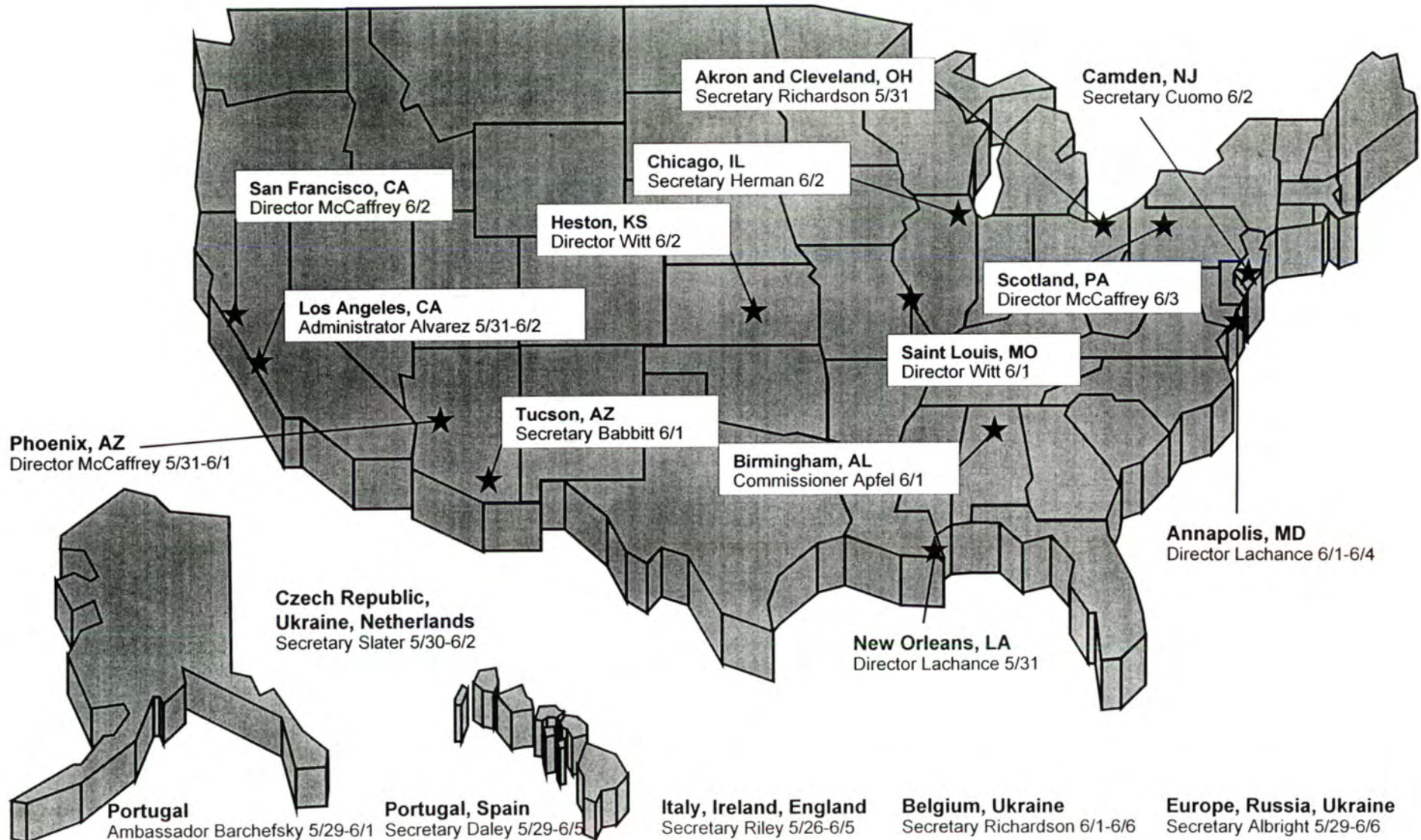
- **National Day of Remembrance:** OPM has transmitted your message about the National Moment of Silence on May 29, to the 28 Federal Executive Boards and 74 Federal Executive Associations across the Nation. OPM asked these organizations to share your message with their local Federal communities, collectively representing over a million Federal employees.
- **D.C. Summer Jobs:** OPM is working closely with other Federal agencies to meet this summer's goal of 1,000 hires. Participating agencies received their recommended hiring obligations last month, and most have already responded with commitments. To date, Agency commitments total 880 jobs.
- **Knife-Proof Vest Standard:** On June 5, the National Institute of Standards and Technology will announce that it recently completed the nation's first draft standard for "stab resistant" vests. The vests are designed to give officers the same degree of safety enjoyed by those who wear bulletproof vests.

SOCIAL SECURITY ADMINISTRATION

- **Annual Report on the SSI Program:** By May 30 of each year, the Commissioner of Social Security is required to submit a report to the President and Congress on the SSI program. The report provides estimates of program participation and costs over a 25-year period, as follows: By 2024, the Federal SSI recipient population is estimated to reach 7.7 million (from 6.3 million in 1999); growth in SSI program outlays during the next 25 years is projected to remain relatively modest; and Federal expenditures for SSI payments in calendar year 2000 are estimated to total \$29.4B, an increase of roughly \$1.2B from 1999 levels.

Cabinet Affairs Travel

Monday, May 29 - Sunday, June 4, 2000



cc:

The Vice President
John Podesta
Martin Baily
Sandy Berger
Sidney Blumenthal
Chuck Brain
Charles Burson
Mary Beth Cahill
Maria Echaveste
George Frampton
Mickey Ibarra
Ben Johnson
Joel Johnson
Janis Kearney
Neal Lane
Jack Lew
Ann Lewis
Joe Lockhart
Buddy MacKay
Sean Maloney
Minyon Moore
Bruce Reed
Steve Ricchetti
Gene Sperling
Lauren Supina
Loretta Ucelli
Melanne Verveer

THE WHITE HOUSE
WASHINGTON

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5-30-00

MEMORANDUM

May 26, 2000

TO: THE PRESIDENT

FROM: LORETTA UCELLI
STEPHANIE CUTTER

RE: Communications Weekly Report

OVERVIEW:

This week, we continued to push out the message that you are leading the nation by taking action on the issues important to the American people. The House passage of China PNTR was a significant victory, demonstrating your leadership in opening new markets and increasing prosperity for the American people, and in promoting democratic reform across the world. This victory allows you to leave on your foreign trip with significant momentum. On Thursday, your statement with the Democratic leadership demonstrated that you and Congressional Democrats are united and ready to move forward on the important issues of the nation, including prescription drugs, patients' bill of rights, minimum wage, education and guns.

To kick off the summer season, on Friday you announced two executive actions to protect our oceans, beaches and coastlines, building on your strong record of protecting the nation's health and environment. Further, in commemoration of Memorial Day, we worked with Press, Public Liaison, the Millennium Council and others to reach out to the American people and encourage them to recognize the National Moment of Remembrance at 3:00 on Monday to honor those who gave their lives fighting for this country.

Foreign Travel:

In preparation for your upcoming foreign travel to Portugal, Germany, Russia and Ukraine, we are working with the Press Office and Cabinet Affairs on a communications strategy to ensure that your Administration plays into key domestic priorities and maintains a steady drumbeat of news during your time abroad. We also are working with the NSC and the Press Office to develop a communications strategy to effectively convey your leadership abroad and at home in promoting peace and prosperity.

Domestic Agenda:

We are working with the Chief of Staff's Office, the Press Office, the policy offices and others on a communications strategy to demonstrate that upon your return from Europe, you are energized and ready to work with Congress to take action on the issues affecting the health, safety and welfare of American



families, such as common sense gun legislation; a voluntary, affordable Medicare prescription drug benefit; a strong, enforceable Patients' Bill of Rights; a simple \$1 increase in the minimum wage; and greater investments in our nation's schools and our children's education. We are planning message events, speeches, and other vehicles that will demonstrate your leadership and commitment to moving the nation forward by accomplishing the priorities of the American people and keeping the nation on a path of prosperity.

THE WHITE HOUSE
WASHINGTON

MAY 26, 2000

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARY BETH CAHILL *mbc*
DIRECTOR, OFFICE OF PUBLIC LIAISON

SUBJECT: WEEKLY REPORT (May 20 to May 26)

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Burson

I. ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES:*VIOLENCE AGAINST WOMEN ACT*

OPL Holds VAWA Briefing. On Tuesday, OPL and the Women's Office organized a briefing for representatives from the law enforcement community to discuss the re-authorization of VAWA. Maria Echaveste, Lynn Cutler, DPC, DOJ, OVP made presentations. The law enforcement groups were receptive and look forward to continuing the dialogue on this important issue.

MEDICARE PRESCRIPTION DRUGS

OPL Hosts Briefing for New York Network for Action on Medicare. On Monday OPL and OMB met with eight members of the Network, which represents organizations of seniors and people with disabilities. The group, which was active in the Health Care Reform debate, criticizes the Administration and Congressional Democrats for what it *perceived* to be a form of "privatization" in administering the drug benefit. They fear there will be insufficient protections for beneficiaries under PBMs (in premiums and level of benefits), and want more substantial price reductions. OMB emphasized that the Administration is committed to obtaining price discounts and promoting effective and fair benefit administration, and disagreed with the Network's characterization of the Administration plan. OMB also stressed that we may lose a "window of opportunity" to establish the foundation for a drug benefit (which can subsequently be strengthened) while holding out for a more comprehensive benefit.

II. CONSTITUENT OUTREACH AND OTHER ISSUES:*ASIAN PACIFIC AMERICAN OUTREACH*

Asian Pacific American Community Heralds Passage of Hmong Veterans Bill. The Hmong Veterans Naturalization Act of 2000 will ease English language requirements and provide special consideration for the civics requirement for Hmong veterans and their families. The APA community is pleased because, in addition to addressing a specific situation within the Hmong community, it signals a recognition of the challenges facing immigrant communities.

OPL Conducts Briefing for Asian Pacific American Community. Over 100 Asian Pacific American leaders from throughout the country attended a the briefing focusing on your current domestic priorities, including Education, Health Care, New Markets, the Digital Divide, and the White House Initiative on Asian American and Pacific Islanders. These community leaders, in town for APA Heritage Month events, were eager to get more involved in the Administration's efforts, particularly in New Markets and the Digital Divide.

ETHNIC OUTREACH

German Americans Congratulate You on the Charlemagne Prize. German-American leaders participating in an OPL conference call extended encouragement to you on your commitment to European unification and world peace. Reaffirming the importance of U.S.-German ties over the past 50 years, the participants responded enthusiastically to Administration efforts to redefine our relationship with Germany based on broadening local, non-governmental, and educational exchanges. At the end of the call, one participant suggested you include in your Aachen speech: "Ich bin ein Europaer," meaning, "by choice, you are a European." This statement references President Kennedy's unforgettable and widely quoted 1961 statement in Berlin, when he said: "Ich bin ein Berliner."

GAY/LESBIAN OUTREACH

Gay and Lesbian Activists Have Mixed Reviews Over Governor Gray Davis's Veto of SB118. The initiative would have extended the Family Rights Act to allow an employee to take family care and medical leave (unpaid leave) to care for a grandparent, sibling, or domestic partner. Davis, called the measure "well-intentioned," but said that it extends family leave "far beyond what any other state has permitted to a relationship outside the family." He was especially concerned that it would allow people who live together as roommates, whose relationship is primarily based on shared expenses, to qualify for leave. His press secretary said the governor would work on legislation next year that might extend leave to domestic partners and other family members.

Log Cabin Republicans of Texas Criticize State Republican Party. The group contends the Republican Party of Texas has refused to respond to its request to operate an information booth at the state political convention on June 15-17, in Houston. State party officials deny the group requested a convention booth. Instead of setting up inside the convention center, the group will establish an information booth outside. More than 50 members of the gay Republican group are among the 8,700 delegates to the party's state convention. The Log Cabin Republicans asked for booth space at the 1996 state convention in San Antonio, but were turned down. The organization sued the state party, but the Texas Supreme Court ultimately sided with the GOP.

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Bob Edgar to Lead Group to Puerto Rico. The General Secretary of the National Council of Churches will lead a group of five for discussion of Vieques. OPL hosted a meeting with interested denominations with Maria Echaveste and Jeffrey Farrow. They emphasized the importance of passage of the legislation to support your directives. The leaders appeared to understand that pushing an early date for the referendum at this time could hurt passage of the legislation. However, they emphasized that their contacts on Vieques remain apprehensive about the referendum ever actually taking place, and that concern affects their view of all of the Administration efforts.

THE WHITE HOUSE

WASHINGTON

May 26, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: Bob J. Nash, Assistant to the President and Director of Presidential Personnel

RE: Office of Presidential Personnel Weekly Report for Week Ending May 26, 2000

Copied
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Podesta

NEW ISSUES

International Trade Commission (ITC)

In June, the term for the Chairmanship of ITC reverts to Democrats. We have candidates, Jennifer Hillman, former Textile Ambassador at the USTR with Mickey Kantor. She is supported by the NEC and NSC. Karen Tramontano, Chuck Brain and the industry and labor communities *strongly* support Steve Koplan (current member) for the Chairmanship. According to the legislation, we must designate a Vice-Chairman who is Republican. We will make a recommendation soon.

Richard (Dick) Friedman

You recently selected him for a position on the National Infrastructure Assurance Council (PA). Although he originally wanted to be on this board he has reconsidered and has asked to be considered for another commission, which I am working on. I will update you on the status of his appointment soon.

Gerald D. Fischbach, National Institute of Health (NIH)

Secretary Shalala decided not to move ahead with the planned nomination of Gerald D. Fischbach, your candidate for the head of the NIH. He is currently the head of the National Institutes of Neurological Disorders and Stroke. The HHS legislative aides decided that the Senate would probably not confirm him and therefore pulled the nomination. NIH Deputy Director Ruth Kirschstein will run the shop as acting director.

Don't know
if he's a
candidate

Export/Import Bank

George Munoz (OPIC) and Joe Grandmaison (TDA) have shared their concern with me regarding Jim Harmon's suggestion that OPIC, TDA and EX-IM be merged into one agency. Current PAS positions at OPIC, TDA and EX-IM (a total of 8 PAS positions) will be reduced to two PAS positions. This would create one big agency with EX-IM at the head. This plan would include having a single chairman (PAS) for a 6-year term and Vice Chair (PAS) for a 6-year term. The

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Bob Nash to POTUS re: Office of Presidential Personnel [partial] (1 page)	05/26/2000	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Chron Files
OA/Box Number: 21408

FOLDER TITLE:

Wednesday, May 31, 2000

2019-0990-S

rs3438

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

Chairman of EX-IM would select the board of directors. We object to the recommendation and will update you as necessary. Additionally, we assume that the Senate will not want to pursue this action because three different committees have jurisdiction over these agencies (OPIC, TDA and EX-IM), and they will lose their voice in these agencies.

United Nations General Assembly, Delegate & Alternate Delegates



*The Presidential Appointee Initiative: The Merit And Reputation Of An Administration—
Presidential Appointees On The Appointments Process*

On April 28, 2000, Maria Haley and I attended the premiere of one of the first studies released by the partnership of Paul C. Light, *The Brookings Institute*, and Virginia Thomas, *The Heritage Foundation* entitled *The Merit And Reputation Of An Administration: Presidential Appointees On The Appointments Process*. The report is fairly critical of the Presidential Appointment process in general but especially critical of the Clinton Administration. The report claims that the time lapse between the start of the appointment process and actual confirmation is longer during the Clinton Administration than either the Reagan or Bush Administration, which leaves the nominees "exhausted, embarrassed and confused."

The four basic findings that the authors aim to demonstrate are: an increase in delays in the selection, nomination and confirmation process, an increase in confusion, embarrassment and frustration among nominees, and a favoritism towards people with prior government experience. The authors also add that appointees during the Clinton Administration experienced "The Clinton Effect." This is defined as the "extraordinary difficult transition into the White House in 1992 and the intense period of scandal including an impeachment trial and an ongoing campaign finance investigation." The data they used to create their report was pure opinion derived from leading questions, from a sampling of only 2% of all the nominees who have undergone the appointment process since 1984.

One of the major oversights of this report is the number of offices that work with Presidential appointees throughout the process. Although the process begins with selection in the Office of Presidential Personnel, it next moves to the White House Counsel's vetting process, the CIA, FBI, the Office of Legislative Affairs, and finally the Senate committees and the Senators themselves. This report focuses on PPO, whereas it is not only PPO that is involved in this process. Room for improvement does exist, but it can only be achieved through White House and Senate cooperation such as streamlining, standardizing and simplifying the forms appointees must fill out

for White House Counsel, the FBI, CIA and the Senate Committees.

Our job is to reach out, even beyond the beltway, to find qualified people to serve as appointees in this Administration. In terms of prioritizing people of the political elite for jobs in the Administration, we are proud of our selection of appointees who have created your Administration that looks like America. You have appointed more women (41%), more African Americans (12% of the Cabinet is African American), more Hispanics (8%), more Asian Pacific American (3%) than any other President. While Native Americans make up 2% of the Clinton Administration, they constitute only 0.7% of the civilian workforce.

As far as our records show, there is no evidence of a "Clinton Effect." The two supposed scandals did not increase the delays of the Presidential Appointee process. In 1998 we nominated approximately 350 people, 88% of whom were eventually confirmed. Additionally in 1998-1999 the average amount of time an appointee awaited confirmation only increased by ½ month. The White House nominated 550 people, keeping our vacancy rate at an average of about 5%.

Overall, the report leaves much of the process unexamined, not to mention that 98% of the nominees who experienced this process between 1984 and 1999 were not even represented.

We will continue to keep you updated on the reports and their findings as the year continues.

United States Institute of Peace (USIP)

We are working with both Senator Harkin and Senator Moynihan on the candidates they have recommended for USIP. Senator Harkin does not want Seymour Lipset, Senator Moynihan's candidate, reappointed. We nominated Harriet Zimmerman (D) and Marc Leland (R) Thursday, May 25 and are working on selecting the candidates for the remaining positions.

Ambassador to Nepal

Thomas Furey, a Career Foreign Service Officer, voluntarily withdrew his nomination as Ambassador to Nepal after a controversy arose in the Nepali press regarding his actions while on a previous assignment to Nepal in the early 1980s. At that time Mr. and Mrs. Furey took a Nepali child into their care for a few months, but subsequently decided not to proceed with a final adoption for personal reasons. Following his nomination, various individuals embarked upon a campaign to derail the nomination, both through letters to Senators and in the Nepali press, by alleging that the Furey's decision not to proceed with an adoption was racially based. As it appeared that this controversy could harm U.S.-Nepalese relations, Mr. Furey asked that his nomination be withdrawn. He is a highly respected Foreign Service Officer, and he will likely be put forward by State for another Ambassador posting at a later time.

ONGOING ISSUES

Recess Appointments Opportunities in the Future

We will not be recessing anyone during this Senate recess, COB May 26 through June 4. We will continue to work with John Podesta regarding any action we should take during the upcoming recesses. We will have three more possible opportunities to make recess appointments

during the balance of your term. The possible dates are:

- 1.) June 30 – July 9
- 2.) July 28 – September 4
- 3.) October 6 (*sine die* adjournment) to January 2001

Mansoor Ijaz

We are working with him to find something other than PFIAB.

Key Appointments to the Clerk This Week:

- John Hobbie, Member, Arctic Research Commission
- Barbara Grossman, Member, Holocaust Memorial Council
- Stanley Chesley, Member, Holocaust Memorial Council
- Mel Levine, Member, Holocaust Memorial Council
- Richard Brown, Member, National Partnership Council
- Norman Christensen, Member, Nuclear Waste Technical Review Board
- Paul Craig, Member, Nuclear Waste Technical Review Board
- Richard Parizek, Member, Nuclear Waste Technical Review Board
- Sharon Cassidy, Member, Advisory Committee to the Pension Benefit Guaranty Corporation
- Ron Allen, Commissioner, Pacific Salmon Commission

Key Nominations This Week:

- Jayne Fawcett, Member, Board of Directors, Institute of American Indian & Alaskan Native Cultural & Arts Development
- Don Harrell, Member, Federal Retirement Thrift Investment Board
- Norman Bay, United States Attorney for New Mexico, Department of Justice
- Harriet Zimmerman, Member, United States Institute of Peace
- Marc Leland, Member, United States Institute of Peace

Key Confirmations This Week:

- Ed Montgomery, Deputy Secretary, Department of Labor
- Christopher Gallagher, Member, Board of Directors, Corporation for National and Community Service
- Amy Achor, Member, Board of Directors, Corporation for National and Community Service
- James Whittemore, U.S. District Judge for the Middle District of Florida
- Jay Johnson, Director of the Mint, Department of Treasury
- Kathryn Shaw, Member, of Council of Economic Advisers
- Alan Phillip Larson, U.S. Alternate Governor of the International Bank for Reconstruction and Development
- N. Cinnamon Dornsife, U.S. Director of the Asian Development Bank
- Earl Anthony Wayne, Assistant Secretary, Department of State
- Bobby Roberts, Member, National Commission on Libraries and Information Science
- Michael Rossmann, Member, National Science Board, National Science Foundation
- Daniel Simberloff, Member, National Science Board, National Science Foundation
- Leslie Lenkowsky, Member, Board of Directors, Corporation for National and Community Service
- Juanita Sims Doty, Member, Board of Directors, Corporation for National and Community Service
- Joan Challinor, Member, National Commission on Libraries and Information Science
- Jerome Kever, Member, Railroad Retirement Board
- Virgil Speakman, Member, Railroad Retirement Board
- Herschelle Challenor, Member, National Security Education Board
- Thomas Fry, Director of Bureau of Land Management

- Thomas Slonaker, Special Trustee, Office of the Special Trustee for American Indians, Department of Interior
- Mel Carnahan, Member, Board of Trustees, Harry S Truman Scholarship Foundation
- Scott Wright, Member, Board of Trustees, Harry S Truman Scholarship Foundation
- Marc Racicot, Member, Board of Directors, Corporation for National and Community Service
- Alan Solomont, Member, Board of Directors, Corporation for National and Community Service
- Nathan Hatch, Member, National Council on the Humanities
- Richard Tallman, U.S. Circuit Judge for the Ninth Circuit
- Marianne Battani, U.S. District Judge for the Eastern District of Michigan
- David Lawson, U.S. District Judge for the Eastern District of Michigan
- John Antoon, U.S. District Judge for the Middle District of Florida
- Mark Reid Tucker, U.S. Marshall for the Eastern District of North Carolina
- John Hammerschmidt, Member, Board of Directors, Metropolitan Washington Airports Authority
- Norman Mineta, Member, Board of Directors, Metropolitan Washington Airports Authority
- Robert Clarke Brown, Member, Board of Directors, Metropolitan Washington Airports Authority
- John Goglia, Member, National Transportation Safety Board
- Carol Jones Carmody, Member, National Transportation Safety Board
- Edward McGaffigan, Member, Nuclear Regulatory Commission
- Gary Barron, Member, Board of Directors of the Overseas Private Investment Corporation
- Thomas Weston, Special Coordinator for Cyprus

- Carey Cavanaugh, Special Negotiator, New Independent States
- Christopher Robert Hill, Ambassador to Poland, Department of State
- Donald Arthur Mahley, Special Negotiator, Chemical and Biological Arms Control Issues
- Gregory Govan, U.S. Delegate to the Joint Consultative Group
- Bruce Sundlun, Member, National Security Education Board
- Manuel Trinidad Pacheco, Member, National Security Education Board
- Phyllis Hamilton, U.S. District Judge for the Northern District of California
- Nicholas Garaufis, U.S. District Judge for the Eastern District of New York
- Roger Hunt, U.S. District Judge for Nevada
- Kent Dawson, U.S. District Judge for Nevada
- Audrey Fleissig, U.S. Attorney for the Eastern District of Missouri
- Steven Reed, U.S. Attorney for the Western District of Kentucky
- Donald Horton, U.S. Marshal for District of Columbia
- E. Douglas Hamilton, U.S. Marshal for the Western District of Kentucky
- Jose Perez, U.S. Marshal for the Central District of California
- Donnie Marshall, Administrator of Drug Enforcement
- Michelle Andrews Smith, Assistant Secretary, Department of the Treasury
- Berle Schiller, U.S. District Judge for the Eastern District of Pennsylvania
- Richard Barclay Surrick, U.S. District Judge for the Eastern District of Pennsylvania
- Petrese Tucker, U.S. District Judge for the Eastern District of Pennsylvania
- Bradley Smith, Member, Federal Election Commission

- Danny Lee McDonald, Member, Federal Election Commission
- Timothy Dyk, U.S. Circuit Judge for the Federal Circuit
- Gerald Lynch, U.S. District Judge for the Southern District of New York
- James Brady, U.S. District Judge for the Middle District of Louisiana
- Mary McLaughlin, U.S. District Judge for the Eastern District of Pennsylvania

Number of Individuals Approved by the President and Currently Being Vetted by the White House General Counsel's Office:

Presidential Appointees <u>with</u> Senate Confirmation (Full-time & Part-time)	91
Presidential Appointees <u>without</u> Senate Confirmation (Full-time & Part-time)	153
Total	244

Status of 2000 Nominations and Confirmations:

Status of All (Including Judges)

	Number
Current Nominations	206
Nominations on the Executive Calendar	24
Confirmed in 2000	75
Confirmation Percentage	27%

	Number
Grand Total (Nominated or Confirmed)	281

Judges Only

	Number
Currently Nominated	38
Nominations on the Executive Calendar	0
Confirmed in 2000	23
Confirmation Percentage	38%
Grand Total (Nominated or Confirmed)	61

cc: John Podesta
 Maria Echaveste
 Beth Nolan
 Sean Maloney

LAZARD

VERNON E. JORDAN, JR.
MANAGING DIRECTOR

00 MAY 31 PM 3:28
LAZARD FRÈRES & Co. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212 - 632 - 6190
FAX 212 - 332 - 1640
vernon.jordan@lazard.com
www.lazard.com

May 30, 2000

The Honorable William J. Clinton
Office of the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

If you have confidence in the safety of the over-the-counter medications you and your family use, thank James Edward Burke. If you are gratified that the nation's youth are turning away from illegal drugs, thank James Edward Burke.

CC: BURKHARDT
ORIGINAL BACK
TO ME

(W)

5.31.00

a Burke provided a shining example of corporate
ne infamous Tylenol poisonings of the 1980s. His
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DAN -

IN CASE YOU HAVEN'T
SEEN. I ASSUME
WE DO SOME SORT
OF STANDARD REPLY
TO THOSE WHO SEND
LETTERS TO POTUS
RE: MOF(?).

-USEL

5.31.00

net Secretary

OFFICE OF CADENCE THAMES
The White House

PARIS LONDON NEW YORK BOMBAY CAIRO CHICAGO FRANKFURT HAMBURG HONG KONG MADRID
MILAN NEW DELHI SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO WARSAW

LAZARD

VERNON E. JORDAN, JR.
MANAGING DIRECTOR

00 MAY 31 PM 3:23
LAZARD FRÈRES & Co. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212 - 632 - 6190
FAX 212 - 332 - 1640
vernon.jordan@lazard.com
www.lazard.com

May 30, 2000

The Honorable William J. Clinton
Office of the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

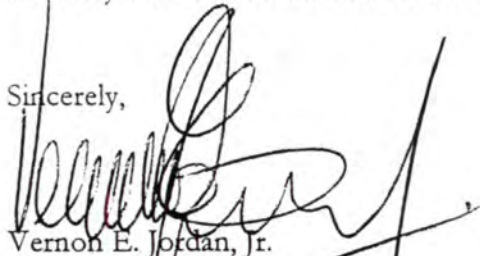
If you have confidence in the safety of the over-the-counter medications you and your family use, thank James Edward Burke. If you are gratified that the nation's youth are turning away from illegal drugs, thank James Edward Burke.

As the CEO of Johnson & Johnson, Jim Burke provided a shining example of corporate civic responsibility with his handling of the infamous Tylenol poisonings of the 1980s. His decisive actions, grounded firmly in the belief that the health of Americans was more important than the fiscal health of his company, worked to save not just Johnson & Johnson, but the faith of the nation in the security of our common, everyday medications.

Many men would have been content with that as a legacy, but as you know, Jim Burke has done much more. Today, he is the full-time, unpaid chairman of the Partnership for a Drug-Free America, and under his guidance, that organization has produced more than \$3 billion in pro bono media exposure for anti-drug messages that are helping to convince our nation's young people to reject illegal drugs.

For either of these accomplishments alone, Jim Burke would deserve the praise and thanks of all Americans. To be responsible for them both makes him deserving of so much more. I heartily back his nomination for the Presidential Medal of Freedom.

Sincerely,



Vernon E. Jordan, Jr.

cc: Thurgood Marshall, Jr.
Assistant to the President and Cabinet Secretary
Office of Cabinet Affairs
The White House



CORPORATE HEADQUARTERS
ONE JOHNSON & JOHNSON PLAZA
NEW BRUNSWICK, NEW JERSEY 08933

FACSIMILE TRANSMISSION COVER SHEET

TO: Thurgood Marshall, Jr.
Assistant to the President and Cabinet Secretary,
Office of Cabinet Affairs

COMPANY: The White House

COUNTRY:

FACSIMILE NUMBER: 202-456-6704

FROM: Ralph S. Larsen

TELEPHONE NO.: 732-524-3605

ROOM NO.:

DATE: May 31, 2000

FACSIMILE NUMBER: 732-828-4066

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 2

IF THERE IS A PROBLEM WITH THIS TRANSMISSION, PLEASE CALL
732-524-3058

COMMENTS:

See attached letter

Johnson & Johnson

RALPH S. LARSEN
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER

NEW BRUNSWICK, NEW JERSEY 08933

May 31, 2000

President William J. Clinton
The White House
1600 Pennsylvania Ave. N.W.
Washington, DC 20501

Dear Mr. President:

As Chairman and Chief Executive Officer of Johnson & Johnson, I write to offer my support for the nomination of James E. Burke for the Presidential Medal of Freedom.

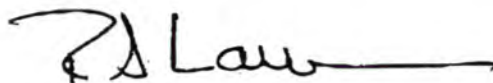
You must know, Mr. President, we are very biased in our views about Jim Burke. A champion of corporate responsibility, Jim is an extraordinary choice for the Presidential Medal of Freedom. In good times and in bad, Jim has always emphasized the utmost importance of serving the public. Jim led Johnson & Johnson through one of the most difficult crises ever experienced in corporate America. With remarkable courage and integrity, Jim's highest priority during the Tylenol crisis was, at every juncture, the commonweal. His swift and deft handling of that situation earned him the respect of the country, and restored trust in our product and company.

A champion of corporate responsibility, Jim has also demonstrated remarkable civic responsibility as well. After retiring from Johnson & Johnson, Jim assumed the position of chairman of the Partnership for a Drug-Free America.

Using all available means, Jim's vision and leadership sparked extraordinary volunteerism in the media and advertising industries, all to benefit the Partnership's anti-drug campaign. Never before in the history of the country have we seen a single public service advertising this large, this far-reaching. To date, this extraordinary organization has leveraged more than \$3 billion in pro bono media exposure for its effort. Thousands of advertising professionals have created hundreds of messages for PDFA's campaign. Only one marketing man could persuade America's best marketing professionals to join behind one cause. That man is James E. Burke.

Thank you for your consideration, Mr. President. We are truly blessed to know Jim. His life has touched the lives of millions, and we are all better for it.

Sincerely,



Ralph S. Larsen
Chairman and Chief Executive Office
Johnson & Johnson

FAX**Date** May 31, 2000**Number of pages including cover sheet** 4

TO: Thurgood Marshall
Office of Cabinet Affairs
Washington, D.C.

Phone
Fax Phone 202-456-6704

CC:

FROM: Christopher Albanese
Harvard Business School
Soldier's Field
Morgan 290
Boston, MA. 02163

Phone 617.495.6514
Fax Phone 617.496.5994

REMARKS: ☐ Urgent ☒ For your review ☐ Reply ASAP ☐ Please Comment

Dear Mr. Marshall,

Attached is a letter from Professor Richard S. Tedlow of the Harvard Business School. Please contact me at the above information if you have any problems receiving this fax.

Sincerely,



Chris Albanese
Assistant to Professor Richard S. Tedlow
Harvard Business School



HARVARD | BUSINESS | SCHOOL

RICHARD S. TEDLOW |
CLASS OF 1957 PROFESSOR OF BUSINESS ADMINISTRATION

May 31, 2000

Mr. Thurgood Marshall, Jr.
Assistant to the President and Cabinet Secretary
Office of Cabinet Affairs
Fax # 202-456-6704

Dear Mr. Marshall:

I am writing this letter to second the nomination of Mr. James E. Burke for the Presidential Medal of Freedom. I have sent a copy of this letter to the President.

If you have any questions, please let me know. Thank you.

Sincerely,

Richard S. Tedlow



H A R V A R D | B U S I N E S S | S C H O O L

RICHARD S. TEDLOW |
CLASS OF 1957 PROFESSOR OF BUSINESS ADMINISTRATION

May 31, 2000

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

I am writing this letter in support of the award of the Presidential Medal of Freedom to Mr. James E. Burke. Mr. Burke has made a unique contribution to business education – a contribution of inestimable value which I would like to bring to your attention.

As I am sure you know, Mr. Burke was the Chief Executive Officer of Johnson & Johnson from 1976 through 1989. Tylenol, a Johnson & Johnson product, was poisoned in 1982 and in 1986. When these tragic and terrible events took place, the consensus of opinion among experts was that Tylenol would be permanently removed from the market. Mr. Burke believed the brand could be saved. He was right and the “experts” were wrong. The question is: Why?

In the late 1980s, I approached Mr. Burke on behalf of the Harvard Business School with the request that he tell the Tylenol story so that we could use it in our curriculum. He was remarkably generous with his time and his knowledge. We worked together over a number of days, making between nine and ten hours of videotape and writing an accompanying teaching document (or “case,” as we call it). The result has proven so important, so enduring, and so basic to what business has the potential to be that it is taught at the Harvard Business School every year to every one of our students. It also is widely taught in executive education programs. This is true despite the fact that, as hardly needs saying, the business world is changing at such a rapid pace.

What is it, then, that Mr. Burke understood which is so important? He understood that the foundation of enduring success in business is trust. He understood that the highest ethical standards are *not* antithetical to successful business enterprise. In his eyes, to the contrary, the two – ethics and profits – go together.

Let me return to the question of why Tylenol survived and prevailed despite seemingly insuperable problems. The answer is that Mr. Burke understood that business is about trust. Throughout the crisis which took innumerable turns from day to day and indeed from hour to hour, Mr. Burke understood that if he and his company could maintain the trust of the public, the brand would survive. If that trust were lost, nothing else mattered.

But how could consumers trust a brand that had been poisoned? They could not. The brand was temporarily withdrawn so that it could be re-packaged. Mr. Burke instinctively understood that in the meantime, he had to gain the trust of consumers in his own judgement and in his company.

But how does one achieve that goal? The answer is simple to say but hard to do: You have to tell the truth.

Here, then, is the real lesson of Tylenol. Truth and trust go hand in hand with success in business. I cannot begin to tell you how important it is that our students learn this lesson. It is our responsibility to make it clear to them that if they seek success through untruthful, untrustworthy means, it is not the fault of the system. It is, rather, the result of a choice they make. Business is what business leaders make it. They can be admirable and ethical and succeed. Or they can choose another path.

One last word. It takes considerable courage for a business leader to insist publicly, as Mr. Burke has, that what is right is what works. The reason is that you invite heightened scrutiny of your business and yourself. Who needs this? Only an individual who has a sense of responsibility to society. This is what leadership is all about.

Mr. Burke not only gave his time, he gave of himself to assist in educating tomorrow's business leaders. My admiration for him and that of my colleagues on the Harvard Business School faculty is without bounds. I know I speak for them as well as for myself in supporting with great enthusiasm the awarding to Mr. James E. Burke of the Presidential Medal of Freedom.

Sincerely,

A handwritten signature in cursive script, reading "Richard S. Tedlow".

Richard S. Tedlow

THE WHITE HOUSE
WASHINGTON

Date 5.31.00

To: BERGER, SPERLING, PODESTA

From: The Staff Secretary

ANY COMMENT BEFORE
THIS GOES TO POTUS?



00 MAY 31 PM 1:31

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

May 31, 2000

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Lawrence H. Summers 
REGARDING: Economic Issues with Respect to the Russia Summit Strategy

I wanted to follow up on our discussion last week by sharing with you in greater detail Treasury's thinking about granting further debt reduction to Russia at this time.

Overview

As you noted at the end of our meeting, our policy toward Russia since 1992 has been successful in the crucial sense that if our hopes have not all been realized, neither have the fears that were so commonly predicted at that time: a return to Communism; a lapse into anarchy and civil war; or mass starvation.

The United States obviously continues to have a great stake in how Russia evolves and the welfare of its people. At the same time, a number of recent economic and political developments in Russia call for a change in the basic mode of our engagement.

- First, in sharp contrast with the past, as a result of the devaluation of the currency, higher oil prices and default and rescheduling on official debt, the Russian government is now in a much stronger position to maintain financial stability, service its debt and more consistently meet the needs of the Russian people. In that sense, Russia's credibility gaps in the implementation of economic and financial policy now far exceed any actual financing gaps.
- Second, while we are certainly hopeful about Russia's political future, the political environment remains more than usually uncertain, given the nationalistic posture President Putin has adopted as well as recent actions he has taken toward the press.
- Third, and related, Russia is making it clear that it wants to chart its own course, so that explicit U.S. or IMF intervention in Russian economic policy decisions would be a net negative, especially with respect to the Russian parliament.

Taken together, these factors argue strongly for a U.S. approach based on respect for Russian sovereignty, and the recognition that Russia's own economic choices are what will be decisive in the years ahead. We can and should continue to support Russia's own efforts to

create a framework for financial stability and growth. But we must also work to avoid the old cycle of trading large financing commitments for large policy promises that are not consistently kept.

The New Mode of Economic Engagement with Russia and the Issue of Debt Reduction

Both the 1999 IMF program and Paris Club agreement with the Russians are consistent with such an evolution in the US approach and that of the G-7 as a whole. Instead of providing substantial new funds to Russia to encourage reforms that it is in Russia's own interest to pursue – we have pursued the more limited goal of supporting basic stability through partial refinancing and restructuring Russia's foreign debt.

This more constrained approach has served our interests well. It has helped encourage greater financial stability in Russia. But it has also lessened the perception that the standard rules do not apply to Russia. And it has compelled the Russians to shoulder more of the responsibility for achieving better economic policy and performance, a change to which they have generally responded positively.

Through successive rescheduling agreements, we could continue such an evolution in the international community's approach. We could also provide Russia with approximately the equivalent cash-flow relief as under debt reduction, and in the process reduce Russia's effective debt burden by about 25-35% in net present value terms, using private market discount rates.

By contrast, we believe that granting Russia formal debt reduction now would risk the return of the old cycle of more financing for more promises, while offering few additional benefits.

- First, under a wide range of reasonable assumptions about Russia's medium-term economic policy and performance, Russia does not need a reduction in its outstanding debt to the Paris Club – nor can such a reduction be justified as essential to maintaining financial and political stability in Russia. Russia has accumulated \$6B in reserves so far in 2000, almost equal to its projected financing gap for the entire year.
- Second, at a time of substantial uncertainty about the direction that Putin will take, it is imperative that we avoid making substantial long-term commitments now that would severely constrain our room for maneuver down the road.
- Third, most would assess the probability of the rest of the G-7 agreeing to substantial debt reduction as extremely low. The probability that Congress would provide the necessary legislative approval for such a reduction must be even lower.
- Fourth, there would be no precedent for multilateral debt relief to be granted to a country on the basis of such little financial need. Poland and Egypt, with much higher ratios of debt to exports, and enormous economic and political challenges to confront were not also receiving large-scale multilateral support when they were granted debt relief. Giving debt

relief on the basis of so little need would undermine the basis for future lending, not just in Russia, but around the world.

- Fifth, when the Russians agreed to take on Soviet debt, they did so in return for taking on a large number of Soviet assets, including embassies and claims on other countries. Allowing Russia to renege on this agreement would therefore potentially raise serious questions as to the status of these assets, as well as fostering the perception in other countries that governments can safely repudiate the debts of previous regimes.

No one can predict Russia's economic and financial future with great confidence at this stage. And it would be a mistake categorically to rule out debt reduction. But, for the U.S. to be perceived as opening the door to debt reduction, at a time when there is little financial need, could well be highly counterproductive.

The sensible, achievable goal for the Okinawa Summit is agreement to pursue another temporary Paris Club debt rescheduling linked to another 12 to 18-month IMF program that partially refinances Russia's debt to the IMF. If Putin and his government are serious about a limited number of structural reforms tied closely to macroeconomic stability, agreement on such an IMF program is feasible this summer. Paris Club negotiations could follow later in the year.

We can, consistent with the Cologne Summit outcome, reasonably aspire to persuading G-7 to agree to revisit at a later date the broader question of how to treat Russia's debt burden and whether exceptional treatment is justified based on an evaluation of Russian policy performance and financial need. But holding out the prospect now of debt reduction would only engage us in a protracted debate in the G-7 which might risk undermining the momentum for homemade reform in Russia.



00 MAY 31 PM3:03

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

16 May 2000

Dear Bill,

I am writing to let you know the decisions we have made on the Beyond Visual Range Air-to-Air Missile (BVRAAM) for Eurofighter, and on the aircraft that will provide strategic lift for the RAF. We are announcing our decisions today. They reflect our determination to bring about further major improvements in the United Kingdom's defence capabilities.

In the case of BVRAAM, we were very impressed by the quality of the Raytheon bid to supply an enhanced version of ERAAM; and we were very grateful for the offer of joint (5-31-00) in support of that option, and the extensive de available. In the event, we have decided Mail Analysis — lect the METEOR missile from the cc Send to NSC?

This decision was a very Yes ✓
No _____
of both
METEOR,
our
R comes
into service, however, Eurofighter will be equipped with the AMRAAM missile produced by Raytheon.

Came in through
Mail Analysis —
Send to NSC?
Yes ✓
No _____
Carl



00 MAY 31 PM 3:03

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

16 May 2000

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In the case of BVRAAM, we were very impressed by the quality of the Raytheon bid to supply an enhanced version of ERAAM; and we were very grateful for the offer of joint co-operation made by your Government in support of that option, and the extensive briefing that you and Bill Cohen made available. In the event, we have decided, after very careful consideration, to select the METEOR missile from the consortium led by Matra BAe Dynamics.

This decision was a very difficult one for us, given the quality of both bids. We have concluded that the overall performance promised by METEOR, in particular its impressive kinematic performance, would best meet our requirement for a long-term solution for Eurofighter. Until METEOR comes into service, however, Eurofighter will be equipped with the AMRAAM missile produced by Raytheon.

We have also reached decisions on our strategic airlift requirements. I am grateful for the enormous effort put in by USAF since the summer to help us in our consideration of the options. I am delighted to tell you that we are now announcing our intention to place an early contract with Boeing to lease four C-17 aircraft for a number of years. The RAF will eagerly await their early introduction into service and looks forward to a close working relationship with the USAF.

To meet our requirement for longer-term strategic airlift, we have decided in principle to proceed with a purchase of A400M aircraft to replace the remainder of our ageing Hercules C-130K fleet.

In reaching these decisions, we have of course been mindful of wider issues.

You and I attach a high priority to the NATO Defence Capabilities Initiative and the enhancement of European military capabilities. In the longer term, the United Kingdom's decision in favour of the A400M will make a significant contribution to improving the Alliance's defence capabilities – an area where improvement is needed. Our decision offers a challenge to our European partners to share the burden. Our commitment in principle will now need to be followed up by decisions by other European participants to ensure a viable programme. Similarly, we shall require the full support and commitment of our European partners to make a success of the METEOR programme, which will secure a serious base for high-technology missile production and procurement in Europe.

I have said before that I am determined these decisions should not be seen as a "Europe versus US" choice. They are not. Our decision to lease C-17 aircraft, the fact that we shall be purchasing AMRAAM missiles for Eurofighter, and the presence of Boeing in the METEOR consortium are all proof of that.

But I do understand that there will be some disappointment in the US about the decisions that we have reached. I am therefore determined for my part that our governments and industries should continue to work closely together across the defence spectrum. We must continue to demonstrate our joint commitment, as in our recent signature of the Declaration of Principles in Munich. So I will end by repeating my thanks for your own personal interest and support.

I know the importance you
attached to this & I am sorry
not to have better news. Partly as
a result of your strong representation
we weighed it very carefully indeed
before deciding.

Yours ever
Tony

The President of the United States of America



00 MAY 30 PM 3:34

THE WHITE HOUSE
OFFICE OF CABINET AFFAIRS

Date: _____

To: _____

LISEL

From: _____

ANNE

Facsimile: _____

62215

Telephone: _____

Subject: _____

MEDAL OF FREEDOM

Pages: _____

3

(Including this cover sheet)

Comments:

It may very well be too late,
but Thurgood just received this
request - what should we tell
them?

OLD EXECUTIVE OFFICE BUILDING ♦ ROOM 160 ♦ WASHINGTON, DC 20502

TELEPHONE (202) 456-2572 ♦ FACSIMILE (202) 456-6704

cc: Burkhardt

5-30-00 12:22pm From-CONGRESSMAN ROB PORTMAN

7911696

T-716 P 01/02 F-761

ROB PORTMAN
CLERK DISTRICT, OHIOCOMMITTEE ON
WAYS AND MEANS
ASSISTANT MAJORITY WHIP

Congress of the United States
House of Representatives
Washington, DC 20515-3502

WASHINGTON, DC 20515
(202) 225-3184
portman@hr.house.govKENWOOD OFFICE
8044 MONTGOMERY ROAD
ROOM 540
CINCINNATI, OH 45236
(513) 791-0381BATAVIA OFFICE
175 EAST MAIN STREET
BATAVIA, OH 45103
(513) 732-2040

1-800-784-6366

FACSIMILE COVER SHEET

Congressman Rob Portman
8044 Montgomery Road
Room 540
Cincinnati, Ohio 45236
Fax No. 513-791-1696
Phone No. 513-791-0381

DATE

May 30

TO

Thurgood Marshall, Jr.202-456-6704

FROM

Congressman Rob Portman

RE

Presidential Medal of Freedom

NO. OF PAGES INCLUDING COVER SHEET

2

NOTES

Letter of Recommendation for JamesBurke. Please contact Krista Boyle at513-791-0381 if there are any questions.Thank You.

ROB PORTMAN

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON
WAYS AND MEANS

U.S. STATE MAJORITY WHIP

Congress of the United States
House of Representatives
Washington, DC 20515-3502

May 30, 2000

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

Dear President Clinton:

I am honored today to recommend James Edward Burke, Chief Executive Officer of the Partnership for a Drug-Free America, for an honor he richly deserves - the Presidential Medal of Freedom.

I have known Jim Burke for many years. Both as the Chief Executive Officer of Johnson & Johnson and now in his work at the Partnership for a Drug-Free America, he has put the health and welfare of the public above all other concerns. He has had an unparalleled impact on the general well being of our nation and he has done so while providing a shining example of what it means to have integrity, honor, and credibility in all things.

I hope that you are able to take the time to thoroughly review Jim Burke's credentials and see him for the unique American he is, an American on whom the Presidential Medal of Freedom can most justifiably be bestowed.

Sincerely,



Rob Portman
Representative

cc: Thurgood Marshall, Jr. ✓
Assistant to the President and Cabinet Secretary
Office of Cabinet Affairs
The White House

RP/kb

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1-800-784-8310

THE WHITE HOUSE
WASHINGTON

Date May 31, 2000

To: **John Podesta, Chief of Staff**
George T. Frampton, CEQ

From: The Staff Secretary

FYI

5-31-00

from Lit. Room

Barbara - log in

cc: Podesta, CEQ, FYI

TO
BURKHARDT
FOR REPLY
COORDINATE
w/CEQ.

(u)

6-1-00



CARY LOCKE
Governor



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • TTY/TDD (360) 753-6466

May 31, 2000

The Honorable William Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton:

I have supported the efforts of Senator Murray and others to pass legislation to designate the Hanford Reach as a federal wild and scenic river. Senator Murray has sponsored such legislation for six years. I would have preferred this alternative, but it is clear that a legislative solution will not occur. For this reason, I am writing to urge you to designate the Hanford Reach as a national monument.

The Columbia River has played a vital role in the history of our state, region, and nation. The Hanford Reach is the last remaining stretch of this great river above the Bonneville Dam that is free flowing and has seen relatively few human impacts. In so many ways, it remains a snapshot of an earlier time. Today, the Reach and its environs provide exceptional habitat for native species. The aesthetic qualities of the surrounding landscape, especially the sweep of the great white bluffs on the Reach itself, must be preserved. The area also contains many Native American cultural sites, making it a place of religious and spiritual significance for the Yakama Nation and other tribal people.

The Reach contains the largest spawning grounds for wild fall chinook in the Columbia main stem. This fish population is critical in rebuilding our struggling salmon runs in other parts of the Columbia Basin. These fish serve as the only remaining harvestable stock for the Indian fishery in the Columbia River. This spawning area can only be protected if the Wapinitia Slope is strictly off limits to future development, including irrigation. The slope is a premier refuge area containing rich and diverse wildlife and plant life that is increasingly scarce, and should be included in the designation as well.

I applaud the sincere and thoughtful efforts to put the Hanford Reach under local control, and appreciate Secretary Babbitt's recent visit to meet with the surrounding communities. As you have done elsewhere, I believe this area can be managed in partnership with local officials and citizens to address specific concerns, and hope that you would be sensitive to this in a designation action.

The Hanford Reach is a national treasure. It has been studied enough. We have waited long enough. It is time to preserve this exceptional area for generations to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Locke".
Gary Locke
Governor

GARY LOCKE
Governor



00 MAY 31 PM 7:42

STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 Olympia, Washington 98504-0002 (360) 753-6780 TTY/TDD (360) 753-6466

FAX COVER SHEET

TO:

PRESIDENT CLINTON

FROM:

GOVERNOR GARY LOCKE

DATE:

Attached is a 1 page document. Please deliver as soon as possible to the person named above. Thank you!!!

Additional Comments:

DESIGNATION OF HANFORD REACHAS A NATIONAL MONUMENT.

If there are any problems with this transmission, please call the Governor's Office at 360-753-6780.