THE WHITE HOUSE
WASHINGTON

DATE: 7/15/93

NOTE FOR:
SECRETARY REICH
SECRETARY RILEY
DAVID GERGEN
GEORGE STEPHANOUPOULOS
MARCIA HALE
TOM GLYNN - LaBor Rm S-2018
MIKE BROWN

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☒

Can we schedule an event to announce this next week?

Thank you.

JOHN D. PODESTA
Assistant to the President and Staff Secretary
(x2702)

cc: Bob Rubin
Carol Rasco

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

July 12, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: SCHOOL TO WORK APPRENTICESHIP PROGRAM

Attached are memos on a major initiative to implement a strategy on a school to work apprenticeship program. The cover memo from Secretaries Reich and Riley concludes with the Reichian question, "Should we go ahead with it?" The it is the reform legislation which would kick in in FY 95 and is described in greater detail on pages 5 and 6 of the longer memo.

The Secretaries are seeking your approval to proceed with transmittal of the legislation (either from the White House or from the Departments) in the next two weeks. At least some bipartisan support seems assured (Goodling in the House, Jeffords in the Senate).

Rasco and Rubin are on board. Gergen has talked to Reich and is generally interested in moving this forward. (David doesn't arrive back in the office until later this afternoon and I have not spoken directly to him about this.) If you concur with the approach outlined, the Departments and OMB will expeditiously proceed with the development of the final legislative package.

Details about the format for an appropriate announcement of the package can be deferred until you return.

[✓] Approve [ ] Discuss

Attachments

UNITED STATES DEPARTMENT OF EDUCATION
UNITED STATES DEPARTMENT OF LABOR

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT B. REICH
SECRETARY, DEPARTMENT OF LABOR

RICHARD W. RILEY
SECRETARY, DEPARTMENT OF EDUCATION

SUBJECT: SCHOOL-TO-WORK APPRENTICESHIP PROGRAM STRATEGY

You've pledged to build a national version of the youth apprenticeship experiments underway in Arkansas and elsewhere, and you entrusted us with the task. The basic idea enjoys enormous support. Our proposal promises kids real help in making the school-to-work transition. Work-based learning plus related academic training, based on skill standards and leading to a meaningful credential that is nationally accepted, will help them find good jobs.

The trick is to make major change happen quickly, in the face of brutal budgetary limits and authority dispersed across federal layers. Here is our strategy for pulling this off.

The core of the strategy is <u>leverage</u>. <u>Financial</u> leverage--deploying small amounts of new federal money to alter the flow of other resources--is important, but only part of the strategy. Equally crucial are <u>institutional</u> and <u>conceptual</u> leverage. There has been a lot of work already done on ways to smooth the school-to-work transition, a lot of lessons learned, a lot of models already in place throughout the country. No <u>single</u> approach (including the pure form of youth apprenticeship) can reach anything like national scale within one or even two Presidential terms. Nor--even beyond the imperative of rapid, large-scale change--is it clear that we should cast our lot with any one model. So we've defined the initiative to comprehend and build upon the best elements not just of classic youth apprenticeship, but of vocational education innovations like Tech Prep, cooperative education, and career academies.

Finally, we're counting on <u>political</u> leverage. We have mapped deep reservoirs of support in Congress (including Senators Thurmond and Dole and former Secretary of Labor Brock), in the business world, in the education community, and in State and local government. There are many actors ready to embrace this initiative as their own. We aim to accelerate change and lend it coherence by empowering this bottom-up reform constituency. Federal money and waiver authority will boost the capacity and legitimacy of the forces already pushing for a better school-to-work transition system, and strengthen their hands against the status quo.

The attached memo outlines the key components of the strategy. There are three Federal instruments: Development grants for every State; waivers to let any state weave existing programs into its emerging apprenticeship system; and implementation grants issued in "waves" as States become ready for full-scale reform. The initiative builds on multiple models, and pushes a process of convergent evolution towards the best elements of several promising approaches. It lets all fifty States participate from the start, while creating room for the lessons from leading-edge States to inform the efforts of others. And it preserves room for continuous experimentation and local diversity in the means of delivering the core elements of work-based learning, a career-oriented curriculum, and effective partnerships between schools and businesses.

This initiative faces plenty of constraints, but we enjoy one great advantage--the depth and breadth of support for doing something serious about the school-to-work transition problem. The power of a compelling mission, intelligently presented, should let us trump the constraints. We are endorsing multiple models for change, and employing multiple tactics for making change happen, but the whole strategy is geared to a single goal -- merging school and the work world to do better by the majority of young Americans who don't earn college degrees.

We think it will work. The initiative will move us from an estimated 50,000 participants in programs that meet our criteria now, to millions in 1996. Over five years, it will roll out from a handful of states to full scale operation in all fifty States. Legislation can probably pass this year, if our Departments introduce it in the next few weeks. Should we go ahead with it?

Attachments

cc: Robert Rubin
Leon Panetta
Carol H. Rasco
David Gergen
George Stephanopoulos
Howard Paster

EXECUTIVE SUMMARY
SCHOOL-TO-WORK INITIATIVE

- This initiative will create a high quality, universal school-to-work system in all States by:

  - providing funding for all States immediately in FY 94 to begin developing such a system,

  - providing regulatory relief through waivers from other Federal job training and education programs for States to assist in the start-up of new school-to-work systems, and

  - providing "venture capital" over the next four years in grants to States for implementation. Ready-to-go States can win five-year grants; all States will get these grants eventually.

  - establishing criteria for a national school-to-work system,

- Every approved school-to-work program will provide each participant with the following:

  - paid work experience, with structured training and mentoring included;

  - a program of instruction that integrates classroom and work-based learning and is benchmarked to high academic and skill standards as proposed in the Administration's "Goals 2000: Educate America Act;" and

  - a skills certificate in addition to a high school diploma.

- In approved school-to-work programs, schools, employers, and communities will work together to provide their youth with the skills and employment opportunities needed for high skill, high wage careers.

- School-to-work funds will leverage other Federal and State resources into supporting State school-to-work systems.

- There is widespread support for a school-to-work initiative, including bipartisan Congressional advocates and a broad-based coalition of key parties (including educators, employers, individual businesses and trade associations, and community-based organizations) which seek Federal leadership in designing a national framework. There is also growing media interest (recent profiles of youth apprenticeship have appeared in _The New York Times_, _The Wall Street Journal_ and on NBC's Evening News).

DEPARTMENTS OF EDUCATION AND LABOR
PROPOSED SCHOOL-TO-WORK TRANSITION LEGISLATION

I. INTRODUCTION

A. The Challenge

Three-fourths of America's young people enter the workforce without college degrees. Many of them do not possess the basic academic and occupational skills necessary for the changing workplace or further education. And many cannot find stable, career-track jobs for a good five to 10 years after graduating from high school. As a result the wages, benefits, and working conditions of Americans without college degrees are eroding rapidly. In the 1980's the gap in earnings between high school and college graduates doubled; for those without high school degrees, the gap grew even wider.

The reasons are complex, but two factors stand out:

- the lack of a comprehensive and formal system to prepare youth for high skill, high wage jobs; and
- the shift in demand in favor of workers with skills and against workers without them.

While our major international competitors are refining and improving their school-to-work transition systems, the United States has yet to develop one. In practical terms, this means that, unlike their peers in Japan or Germany, for example, young Americans entering the workforce after high school make their way into their first jobs with little guidance, direction, or support.

Meanwhile, American employers are unable to hire entry-level workers with high academic and occupational skills and meaningful work experience, thereby harming the ability of these employers to compete successfully against the global enterprises that are increasingly transforming themselves into high performance work organizations.

B. The Foundation

Efforts by the Department of Education and the Department of Labor to design a school-to-work initiative result from: (1) your commitment to expand the youth apprenticeship program that you initiated in Arkansas, and (2) a broad-based coalition supporting the creation of a system that prepares all young Americans for high skill, high wage careers. We also want to build on various States' significant work that preceded our efforts or is currently underway:

- Three major Commission reports issued in the past six years -- Workforce 2000, The Forgotten Half, and

America's Choice: High Skills or Low Wages -- have helped to raise public awareness of the problems faced by students not going on to college (or not completing college). These reports and the America's Choice Coalition, which was formed after the release of its report (and with whom we are working) have been instrumental in bringing about consensus on policy options.

- Numerous States and localities are rapidly developing innovative school-to-work programs which combine academic and occupational learning and use a rapidly growing network of community and technical colleges. Twenty States have joined a multi-state youth apprenticeship network (see Appendix 1); many also have introduced or enacted school-to-work legislation.

- Elements of the youth apprenticeship model already are embedded in other, larger programs -- such as Tech-Prep, Co-op education, Career Academies, and School-to-Registered Apprenticeship (see Appendix 5).

- The movement to develop voluntary occupational skill standards and certifications, captured in the Administration's "Goals 2000 Educate America Act" legislation, will drive a world-class education and training system -- benefiting employers, students, and entry-level workers.

C. The Support

The concept of school-to-work legislation currently has bipartisan Congressional support led by the authorizing Committees' leadership. Some key sponsors of legislation in the past year include: Senators Kennedy, Simon, Breaux, Jeffords, Hatfield, Thurmond, and Hatch; and Representatives Gephardt, McCurdy, Goodling, and Gunderson (see Appendix 2 for complete listing).

Individual businesses, and trade associations strongly support the prospects of school-to-work legislation. For small and medium-sized businesses, this initiative has particular importance since these firms are the most significant source of employment for youth particularly those without a college degree. As corporations downsize they are increasingly contracting out certain functions to smaller companies. Therefore, high skill jobs that were previously in larger corporations are being transferred to small and medium-sized businesses. Recognizing this transition, smaller employers understand the benefit of preparing youth for the high skill jobs in local small and medium-sized businesses.

Among those working with us already are Proctor & Gamble, Siemens, McDonald's, UNUM Life Insurance, Textron, National Association of Manufacturers, National Tooling & Machining Association, and the National Federation of Independent Business (see Appendix 3 for listing of employers involved in school-to-work activities). We expect to collect many corporate endorsements of the Administration's proposal by the time of its announcement. In addition, more than 75 national organizations representing education, labor, business, community interests, civil rights, and women's issues, have provided us with comments on the school-to-work legislation.

Finally, there is considerable media interest in this issue. Articles have appeared in The New York Times, The Wall Street Journal, and The National Journal, and, most recently, an NBC Evening News Special Report with Tom Brokaw did a segment on the Oregon youth apprenticeship program.

All the above items lead us to believe that we have the broad-based political support necessary to facilitate enactment this legislative year.

II. ACTION FORCING EVENTS

This initiative needs to get underway quickly for two key reasons. First, there is a fairly long lead-time needed to get quality programs up and running. We need to secure the committed involvement of a wide range of parties in planning, program development, and curricula design. Second, the effort needed to bring this initiative to significant scale will take national leadership. This is particularly important in securing the broad-based employer participation that is essential for the provision of work-based learning opportunities.

III. OPPORTUNITIES FOR ALL STATES TO BUILD SCHOOL-TO-WORK SYSTEMS

Our goal is to create a high-quality universal system in all States for assisting students in making the transition from school to meaningful employment. We intend to get there by employing a number of key strategic steps:

- States will have multiple avenues to build school-to-work systems with Federal support -- through the use of: (1) development grants; (2) implementation grants; and (3) waivers. These various strategies will enable faster start-up and diffusion of school-to-work systems, and more flexible and creative strategies.
  - All States will receive development grants, which can be used both to produce a comprehensive plan and to begin the developmental work of constructing a system (e.g., gaining business commitments or creating

mechanisms for joint school-business activities).

- Then, States can submit their plans for Federal approval for regulatory relief through waivers from other Federal job training and education programs.

- Any State with a nationally-certified plan may also apply for a five-year implementation grants, and/or waiver(s). Thus, while some "leading edge" States will compete successfully for sizeable implementation grants, others will opt for waivers alone. Either way, States can come on line quickly, depending on their state of readiness or chosen strategy.

- The program provides "venture capital" for States and localities to build a school-to-work system, and funding will decline substantially as these local systems get up and running. Our goal is to promote ongoing community ownership of and responsibility for bettering young Americans' career opportunities, not to create another top-down, permanent Federal program.

- Implementation of the school-to-work system will come in "waves" -- starting with the States that are already set for reform and ending with the least organized or most reluctant States (see Appendix 4 for timetable). This way, limited Federal funds will go first to where they can make the most difference, and we will use more advanced States and communities to generate and test new ideas.

- For States that prefer to start "bottom-up" instead of "top-down," local grants, waivers, and existing funds can be used to begin building school-to-work opportunities. Within the first few years, every State can have model programs and a plan for a State-wide system.

- By design, we are leaving considerable room for experimentation and local diversity, and the legislation does not require adherence to a single model. Nevertheless there are some key unifying elements that every participant will receive:

  - a work-based learning experience,
  - an integrated curriculum of academic and occupational learning,
  - a high school diploma enabling attainment of a college degree, and
  - an occupational skills certificate, enabling entry into a first job on a career path.

- This initiative will both expand youth apprenticeship and integrate key features of the youth apprenticeship approach with other, larger programs -- like Co-op education, Career Academies, and Tech-Prep -- to maximize the model's leverage and the pace of national reform.

- Private sector leadership is critical to the success of all aspects of this initiative. Employers -- in partnership with labor -- would play a key role in the design and implementation of the system. Private sector involvement would take the form of defining the skill requirements for jobs, participating in the governance of the program, offering quality work experiences for students, and providing job opportunities for students and graduates.

IV. FUNDING AND LEGISLATION

In order to jump start our efforts on a school-to-work transition strategy this year, the Departments are proceeding on two fronts: starting the initiative under current legislative authority, and developing a new legislative proposal.

- <u>Laying the Groundwork in 1994 Under Current Law</u>

  We will use the requested new FY 1994 funds, under current legislative authority in the Job Training Partnership Act (JTPA) and the Carl D. Perkins Vocational Education and Applied Technology Act, to give all States the opportunity to get started as soon as possible. We will assist all States in designing a comprehensive strategy for building a school-to-work system and allow for a period of experimentation among a handful of States and communities poised to implement systemic reform. The funds would be spent under a joint plan designed and administered by the two Departments. Chairman Natcher has agreed to this approach and has put start-up funding for the initiative in both Departments' budgets for FY 1994. The Senate has indicated it will also provide funding.

- <u>School-to-Work Transition Legislation in 1995</u>

  Secondly, we are developing legislation that provides for nationwide systemic reform beginning in FY 1995. Although we are able to start this new initiative under demonstration provisions in current legislation, new legislative authority is necessary to build a nationwide school-to-work system. Demonstration authority is more appropriate for funding a limited number of local sites on an experimental basis and would be limiting as we seek full funding for this initiative.

  The legislation would establish the basic program components of a national school-to-work system and authorize the two Departments to jointly administer a program of grants and waivers to accelerate the creation of a comprehensive school-to-work system in all States.

The proposed legislation will define the broad guidelines and basic elements of a new school-to-work system. Although State and local plans will be reviewed against these basic elements, innovation, experimentation and local diversity will be encouraged. In this manner, States and local communities themselves will determine how best to use limited school-to-work funds.

V. EXPECTED ACCOMPLISHMENTS

Achieving the goal of fundamental and sustainable systemic change will require a period of experimentation, assessment, and modification. However, this initiative can and should produce significant changes in school-to-work systems at the State and local levels in a relatively short period of time. The following evidence of systemic changes and reform should exist by the beginning of the 1998-1999 school year:

- Industry-based skill standards will exist in a wide range of occupational clusters, with curricula and assessments to match.

- The first wave of leading-edge States will be providing high quality school-to-work programs to significant numbers of students. Preliminary estimates from leading-edge States suggest that between 15-30 percent of high school students would participate in a new program by 1998.

- All other States will have begun efforts to implement a new school-to-work system with the establishment of new State and local governance mechanisms providing strategic policy direction, development of curricula and assessment, and significant numbers of school and private sector participation in intensive staff training programs. Every State by 1998 would have at least one local program in operation to serve as a lighthouse for other communities.

- There will be a significant increase in the numbers of employers engaged as full partners in the design and implementation of these systems.

VI. BASIC PROGRAM COMPONENTS

A State or local school-to-work program that is applying for Federal funds must: (1) integrate school-based and work-based learning, (2) integrate academic and vocational learning, and (3) link secondary and postsecondary education. In addition, applicants must incorporate (or show a specific timetable for incorporating) the following basic system components:

- **work-based learning** which includes:
  - paid work experience;
  - a planned program of job training, including tasks which are to be mastered at increasingly higher skill levels and are relevant to a student's career major;
  - workplace mentoring; and
  - instruction in all aspects of an industry or occupation as well as general workplace competencies.
- **school-based learning** which includes:
  - career exploration and counseling in order to help students identify career interests and goals;
  - the opportunity to select a career major (a coherent set of courses or field of study that prepares students for employment in broad occupational areas) and can lead to a post-secondary degree;
  - a program that meets high academic-content standards; and,
  - periodic evaluations to identify academic strengths and weaknesses and the need for additional learning opportunities to master core academic skills.
- **connecting activities** to bridge school-based and work-based learning, which would include:
  - matching students with employers' work-based learning opportunities;
  - serving as a liaison between the employer, school, parent, and student; and,
  - providing technical assistance and services in designing work-based learning components; case-managing participating students; and training teachers, mentors, and counselors.

Outcomes

Successful completion of the school-to-work program will lead to a high school diploma; a skill certificate; and either a first job on a career-track, college admission, or further training -- such as entry into a registered-apprenticeship program. The skill certificate will be a portable, industry-recognized credential that certifies competency and mastery.

Federal Grants to States and Localities

This initiative allows States and localities to "come on line" at different points in time depending on their readiness to undertake broad-scale change. This approach involves the use of **Development Grants** and **Implementation Grants.**

- **Development grants** will be provided in October 1993 to all States to commence activities that precede actual implementation. The purpose of these grants is to provide start-up funds for States to plan and begin efforts leading to comprehensive State-wide school-to-work systems.

- **Implementation grants** are envisioned for States that are ready to begin operation of a new school-to-work system. These grants are to be awarded on a competitive basis in "waves," starting with the States that already are set for reform. State applications prepared as a result of the development grants will go through an intensive review and approval process to be conducted by teams of government and independent experts and to be modelled after the Statewide Systems Initiative (SSI) administered by the National Science Foundation. In addition, the Federal government would launch an aggressive technical assistance effort to help all States plan and implement comprehensive reform efforts.

  In addition to showing how the State will meet the basic program elements and required outcomes, the application must also address how the State will ensure equal opportunity for access to economically disadvantaged students, low-achieving students, dropouts, and students with special needs. States must also identify how they will use other Federal and State resources to implement their school-to-work program, and how they will link to ongoing school reform and workforce development processes already going on in their States.

- **Local Program Grants** are for communities that are prepared to undertake a school-to-work transition program, but are in States not yet ready for implementation. Funds will be available to finance a limited number of local programs on a competitive basis until their States begin implementation.

- **High Poverty Grants.** There are substantial challenges and costs in building an effective system in urban and rural areas characterized by high unemployment and poverty. Activities in these areas will be crucial to promoting an equitable and universal system. Therefore, additional resources will be targeted to these high poverty communities and awarded in a separate competitive process.

- **National Programs.** While it is inappropriate for the Federal Government to build a school-to-work system through a top-down Federally-mandated solution, a strong Federal presence can help speed up and improve school-to-work systems across the Nation. For example, the Federal government can help States and localities combine funds from several Federal sources for one crosscutting program, figure out how to help young people gain and keep high quality jobs, share learning across communities to promote better and faster results, and build evaluation and feedback systems.

VII. WAIVERS

Granting waivers to States will provide an additional strategy for more quickly bringing the school-to-work system to a meaningful scale. Therefore, the Departments will grant waivers of provisions in a number of Federal education and job training programs (such as the Job Training Partnership Act, the Carl D. Perkins Vocational Education and Applied Technology Education Act, and the Elementary and Secondary Education Act).

The waivers will encourage States to develop and implement school-to-work programs and coordinate between this new effort and existing programs. For example, it may be beneficial to waive the requirement that now limits JTPA's Summer Youth program to the summer or vacation period and to extend it into the school year. Or, States may want to seek a waiver to local grant application requirements under the Perkins Vocational Education Act to permit more flexibility for Federal vocational education funds to be used on school-to-work activity.

States will be required to identify statutory provisions in the relevant legislation that impede their abilities to implement the school-to-work system. Waivers will not be granted to any provision affecting a program's essential purposes/goals, eligibility, allocation of funds, or safeguards. All States will have the opportunity to apply for waivers; the Departments may grant a waiver if they are satisfied that a State is making progress towards starting an approved school-to-work system (see Attachment 6 for additional information on waivers).

Appendix 1

STATE YOUTH APPRENTICESHIP CONSORTIUM MEMBERS

Arkansas
Calfornia
Georgia
Illinois
Indiana
Iowa
Kansas
Maine
Michigan
Minnesota
New Jersey
New York
Oklahoma
Oregon
Pennsylvania
South Carolina
Texas
Vermont
Wisconsin

Appendix 2

CONGRESSIONAL SPONSORS OF SCHOOL-TO-WORK LEGISLATION

Sponsors in 103rd Congress

House of Representatives

Dale Kildee (D-MI)
Dave McCurdy (D-OK)
William Goodling (R-PA)
Marge Roukema (R-NJ)
Steve Gunderson (R-WI)

United States Senate

Paul Simon (D-IL)

Sponsors in 102nd Congress

House of Representatives

Richard Gephardt (D-MO)
Dave McCurdy (D-OK)
Dale Kildee (D-MI)
Carl Perkins (D-KY)
William Goodling (R-PA)
Steve Gunderson (R-WI)
Robert H. Michel (R-IL)
Olympia J. Snowe (R-ME)
Fred Grandy (R-IA)

United States Senate

Edward M. Kennedy (D-MA)
Sam Nunn (D-GA)
John B. Breaux (D-LA)
Robert Dole (R-KS)
Orrin Hatch (R-UT)
Strom Thurmond (R-SC)
James M. Jeffords (R-VT)
Mark O. Hatfield (R-OR)

Appendix 3

EMPLOYERS INVOLVED IN SCHOOL-TO-WORK ACTIVITIES

Arkansas

Area VI Arkansas Department of Health
Arquest Inc.
Baldor Electric
Baptist Medical Center
Great Lakes Chemical
K-Mart
Metalworking Connection, Inc.
Poulan Weed Eater
SMI Steel of Arkansas
Southwest Arkansas Development Council
Tyson Foods Inc.
Washington Regional Medical Center

California

Agnew & Brusavich
Apple Computers
Bank of America
California Offset Printers
Cedar Sinai
Green Light Productions
Hewlett-Packard
Kaiser Permanente
Latco Technology
Las Virgenes Unified School District
Pacific Bell
Pacific Telesis Group
Printing Industries of Southern California
Shell Oil
Slater, Slater & Kiesel
Sutter Health

Connecticut

Hamilton Standards
Union Carbide Corporation

Delaware

Delaware Department of Public Instruction

District of Columbia

Appalachian Regional Commission
Human Resources Development Institute

Florida

Siemens

Georgia

Boeing Georgia Inc.
McDonnell Douglas Corporation
Northrup Georgia Production Site
The University of Georgia - College of Education

Illinois

Atwood Industries
Carus Corporation
Elco Industries
Header Die & Tool
Ingersoll Milling Machine Company
McDonald's Corporation
Office of Education, Boone-Winnebago Counties
Peoria Chamber of Commerce
Pfauter-Maag Cutting Tools
Rockford Spring Company
Sears/Davea Projects
Sears, Roebuck & Co.
Southern Illinois University at Carbondale

Iowa

Kirkwood Community College

Kentucky

K-Mart
Kroger Food Stores
Liberty National Bank

Maine

Blue Cross Blue Shield
Brighton Medical Center
D&G Machine Products
Maine Medical Center
Mercy Hospital
Nichols-Portland
Precis Mets, Inc.
UNUM Life Insurance

Maryland

Board of Education of Charles County
State of Maryland - Workforce Development

Massachusetts

Bank of Boston
Boston City Hospital
Brigham and Women's Hospital Center
Federal Reserve Bank of Boston
Fleet Bank Massachusetts
Fleet Services
John Hancock Insurance
Liberty Mutual Insurance
Massachusetts General Hospital
New England Baptist Hospital
New England Deaconess Hospital
New England Medical Center
Polaroid Corporation
St. Elizabeth Hospital
State Street Bank and Trust Co.

Michigan

A&O Mold and Engine, Inc.
Bronson Hospital
Borgess Medical Center
Donshee Body and Frame
Ed Shumway Farm
Exel-Tech Machine Repair
Gast Manufacturing Corporation
General Motors
Grand Rapids Public Schools
Hanson Mold
Hurley Medical Center
J.B. Construction
Kalamazoo Screw Products
Liberty Mold
M&M Motor Mall
Midwest Die Corporation
National Auto Auction
Nichols Heating and Cooling
Northwestern Michigan College
Pan-O-Grav, Inc.
Persons Auto Repair
Phil Walter's Auto Specialist
Production Tooling Inc.
Prototype, Inc.
Radisson Plaza Hotel
Satellite Mold Co., Inc.
Sears, Roebuck and Co.
Springfield Transmission
T & I
TRI-M-Mold, Inc.
Tidey Motor Sales
Triple "C" Company

Weldun International
Upjohn Company

Minnesota

Blount Inc.
Center for School Change
Cybex
Gandy Company
Honeywell
IBM Corporation
Marcon Coatings, Inc.
Mustang Manufacturing Company, Inc.
Precision Tools
SPX Corporation
TSI Incorporated
Viracon, Inc.
Wenger Corporation

Nevada

Sierra Navada Job Corps Center

New Hampshire

Continental Microwave & Tool Co.

New Jersey

Hudson County Area Vocational-Technical Schools
New Jersey School Boards Association
Perth Amboy Public School
State of New Jersey -- Department of Higher Ed

New York

Anitec Imaging
Delaware-Chenango-Madison-Otsego BOCES
East Islip High School
IBM
Lewis A. Wilson Technological Center
Lourdes Hospital
National Association for Industry-Education Cooperation
National Child Labor Committee
New York Legislative Committee on Skills Development
New York State Occupational Education Equity Ctr.
Security Mutual Life Insurance Co. of New York
The Raymond Corporation
Binghamton General Hospital

North Carolina

Albach & Conner Builders
Alward Masonry Contractors, Inc.
American Culinary Federation, Carolina Chapter
Barnes Masonry
Bass Air Condition, Inc.
Bill's Paint and Body Shop
Broyhill Furniture Industries, Inc.
Burrage Enterprises, Inc.
C.M. Allmon Masonry
Charlotte Machine Shop
City of High Point Parks and Recreation
Cranford Woodcarving, Inc.
Electronic Sound & Equipment
First Line Plumbing Company
GNJAC
Gautier's Saw Shop
Griffin Contractors, Inc.
Harpe and Moore Eye Center
Home Builders Association
IV S Metal Stamping, Inc.
Interroll Corporation
J. Dobbin Bailey, Inc.
Kay and Sons Woodworks, Inc.
Liberty Precision Tool Company
Liverman Machine Company
MGM Construction Company, Inc.
Macoser, Inc.
Maiden Hardware & Garden Supply, Inc
Melvin C. Harwood Contractor
New Bern Golf and Country Club
Piedmont Carving Company, Inc.
S & S Mechanical Company, Inc.
Sanderson Masonry
Sears Roebuck, Inc.
Smith & Son, Inc.
Southern Devices, Inc.
Thomasville Furniture Industries, Inc.
Tom Myers Construction Company
Wal-Mart Pharmacy
Widenhouse Masonry

Ohio

Applied Technetronics
City of Toledo Traffic Engineering
Fluid Concepts Inc.
Intelicon Company
Kolb Welding
Midwest Fluid Power Company
Ort Tool & Die Company

Proctor & Gamble

Oklahoma

American Airlines
Baker Oil Tools
Hilti Inc.
T.D. Williamson, Inc.
Webco Industries, Inc.
Yuba Heat Transfer

Oregon

Decision Research
First Interstate Bank
Marriott Hotel
Medix Ambulance Service, Inc.
Mill Tech
Nationwide Insurance
Smith Sheet Metal, Inc.
Wacker Siltronic

Pennsylvania

Able Tool Co.
Advanced Graphics Equipment
Aluminum Company of America
Arc Manufacturing Company, Inc.
Ay Macine Tool and Die Co.
B&B Machine, Inc.
Bachle Welding & Machine Shop
Bauer, Inc.
Billet Tool Co.
Caterpillar Inc.
JBracalente Manufacturing Company
CRIS-MOR Machine, Inc.
Chelsea Building Products
Cook Specialty Company
Daniel May Macine Shop
Dohan Manufacturing Co., Inc.
Donsco, Inc.c
Dura-Metal Products Corp.
Ephrata Tool, Inc.
Extrude Hone Corporation
Flinchbaugh Engineering, Inc.
Foranne Manufacturing Company
Garrod Hydraulics, Inc.
Gemel Precision Tool Company, Inc.
General Weldments, Inc.
George A. Hines Machine Company
Haskel of Pittsburgh
Hopkins Machine Co.

Hunt Engineers & Architects
Ideal Profile Grinding
Industrial Modernization Center
J.H. Machine Tool

Grumman
Jack Garner and Sons Welding
Jackson and Heit Machine Company
JATCO
Ideal Profile Grinding
Industrial Modernization Center
J. H. Machine Tool
JATCO
Jack Garner and Sons Welding
Jackson and Heit Machine Company
Jennison Corporation
Keystone Friction Hinge
Kruse Tool and Die, Inc.
Lycoming County Solid Waste Department
Machined Products Co.
Metco Manufacturing Company
N.W. Controls, Inc.
Norcen Industries Inc.
PMF Industries
Painter Tool Co.
Penn DOT-Commonwealth of PA
Proctor & Gamble
Progressive Design and Machine Co.
Rainbow Machine Products
Red Lion Controls
SPS Technologies
STM Company
Scheirer Machine
Schroeder Industries
Small Castings
Southern Diecasters
Special Vocation Education Services - Pennsylvania
Susquehanna Metal Products
Tampella Power
Textron Lycomig
Uniform Tubes
Union Pacific Corporation
Universal Auto Radiator
Universal Machine
USX Corporation
Vallorbe Jewel Co.
Williamsport Pattern Works, Inc.
Wilsey Tool Company

Rhode Island

Woonsocket Area Vocational-Technical Facility

South Carolina

Ahlstron Process Equipment, Inc.
Blue Ridge Electric Cooperative, Inc.
Charleston County School District
Midlands Technical College
NCR
Ryobi Motor Products Corporation

Tennessee

Shelby County Schools

Texas

Greater Austin Chamber of Commerce

Vermont

Engleberth Construction
Fishman's
General Electric
IBM
McAuliffs Office Supplies
National Life Insurance
New England Culinary Institute
New England Telephone
Pizzagalli Construction
Simmons Percision/BF Goodrich
Vermont Heating and Ventiliating
Vermont Republic Industries
Vermont Technical College
Wright and Morrissey Constructions

Virginia

Educational Research Service
Mobil Corporation
Virginia Tech - Division of Vocational & Technical Education

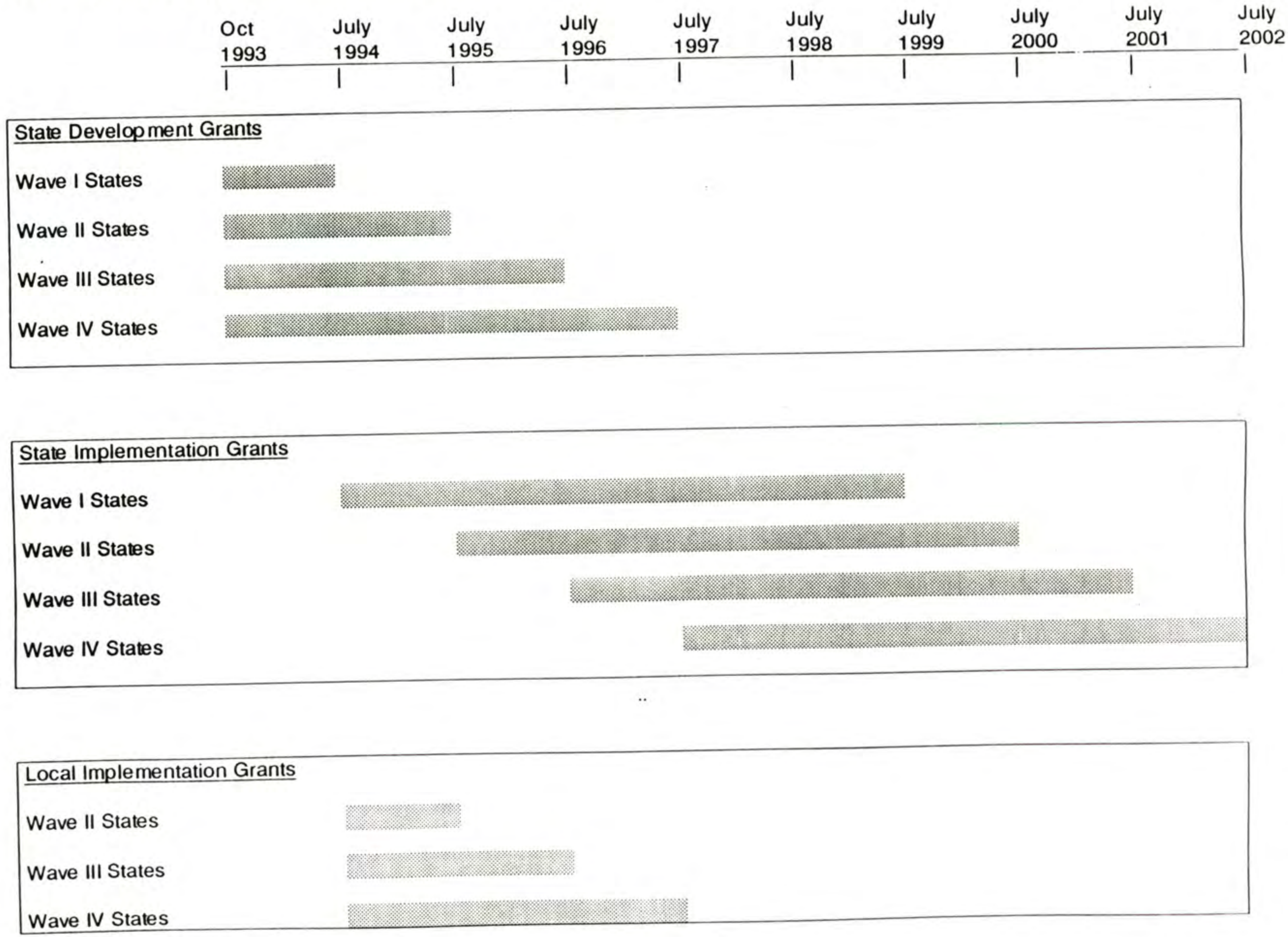
West Virginia

Appalachian Log Structure
Compton Construction Company
Marshall University - College of Education
One Valley Bank
Pacific Encore
Princeton Community Hospital
West Virginia Water Company

Wisconsin

Banta Corporation
Menasha Corporation - Mid American Division
Nenah Printing Division/Menasha Corporation
Northwestern Colorgraphics
Outlook Graphics Corporation
Serigraph
Wisconsin Power & Electric

STATE & LOCAL IMPLEMENTATION SCHEDULE



Appendix 4

APPENDIX 5

EXISTING SCHOOL-TO-WORK PROGRAMS

Youth Apprenticeship

Youth apprenticeship programs link school and work-related learning by integrating academic instruction with work-based learning and work experience. In addition to teaching skills for a specific job and general "employability skills," youth apprenticeships aim to enhance academic learning and foster positive attitudes toward work -- including working as an adult in an adult workplace. Adult mentors guide students' experiences on the job, and students often rotate from job to job at the worksite to obtain a broad view of related occupations and skills.

Youth apprenticeships have strong employer involvement and formal worksite learning, usually provide an employer-based certificate of occupational skills mastery, and integrate academic and vocational education.

Approximately 3,000 students are participating in such programs.

Tech-Prep

In 1990, Congress created the Tech-Prep program as part of the reauthorization of the Carl D. Perkins Vocational and Applied Technology Education Act. Tech-Prep programs have the following characteristics:

- A Tech-Prep program is typically a four-year program of study that links the last two years of high school with two years of postsecondary education (usually provided by a community or technical college) or with at least two years of apprenticeship.
- It involves a planned sequence of study in a technical field and requires a formal agreement between the secondary and postsecondary education institutions involved in the program.
- Integration of academic and occupational learning is central to the program.
- Students completing the program receive either an Associate degree or an occupational certificate.

Tech-Prep education differs from youth apprenticeship in that employer involvement and work-based learning are not requirements of Tech-Prep education.

There are about 100,000 students in 1,200 programs in all the States.

Co-op Education

Cooperative education (Co-op) is a longstanding program in both high school and postsecondary education. Like youth apprenticeship programs, Co-op education provides paid work experience linked to the occupational education programs students are pursuing. As with youth apprenticeship, the student works on the job part-time and attends classes the remainder of the week.

Several features of exemplary youth cooperative education programs have been identified, which also typify outstanding apprenticeship programs:

- Agreement among employers, students, and schools on specific training plans that detail general and specific skills Co-op students are to acquire;
- Selection of employers who can provide training in fields with potential for career advancement; and
- School staff's close supervision of students at work sites.

Co-op education typically has strong employer involvement and integration of academic and vocational education, but little technical focus. High school Co-op programs generally have no connection to postsecondary education.

Approximately 430,000 students are involved in such programs.

Career Academies

Career academies are "schools within schools" that blend applied academics, workplace exposure, career counseling, and vocational courses in a highly-structured program with an occupational focus.

Career academies typically have strong employer involvement, offer a good model of the integration of academic and vocational education, and prepare students for further postsecondary education, but have little formal work-based learning and do not lead to certification or to an associate degree.

There are approximately 8,000 students enrolled in career academies.

School-to-Apprenticeship

These programs involve high school seniors in formal, paid on-the-job training and in related classroom instruction. Upon graduation, students enter full-time, paid, registered apprenticeships and typically do not pursue postsecondary education. In many cases, students gain advanced standing toward their journeyperson level by entering their registered-apprenticeship program while still in high school.

There are 2,500 students participating in over 400 school-to-apprenticeship programs.

WAIVERS

Background

Funds which are appropriated under the school-to-work legislation will be considered "venture capital." They will decrease over a period of years, and are relatively small when compared with amounts spent annually on education and training. Therefore, widespread implementation of the school-to-work initiative will require that States and localities identify and utilize other funds to support school-to-work programs -- Federal funds other than those appropriated for the school-to-work legislation, as well as State and local resources.

Waiver Provisions in Current Draft of Legislative Proposal

To facilitate the use of Federal funds in the implementation of school-to-work programs, waivers of certain statutory and regulatory requirements will be permitted under certain circumstances.

The draft bill does the following:

- lists the programs that are subject to the waiver authority (selected programs under the Elementary and Secondary Education Act, the Carl Perkins Vocational Education and Applied Technology Act, and the Job Training Partnership Act).

- permits the appropriate Secretary to issue waivers to States that will accelerate their school-to-work plans.

- describes the conditions that must be met for a waiver to be approved, including:

  - Secretary's determination that a program provision impedes a State's ability to carry out the purposes of school-to-work legislation;

  - State waiver, or agreement to waive, similar requirements in State law; and

  - State must offer to the local partnership (and, in the case of a Department of Education waiver, to local educational agencies) an opportunity to comment on the proposed waiver.

- provides that waivers will not be permitted for the following requirements related to certain basic principles of the affected programs:

-- For the Department of Education, requirements related to the distribution of funds to the State or to local education agencies; maintenance of effort; comparability of services; and the equitable participation of students attending private schools.

- For the Department of Labor, requirements related to purposes of the affected program, eligibility of an individual for participation; allocation of funds; prohibitions on construction of buildings; and maintenance of effort.

- allows waivers for a five-year period.
- permits termination of a waiver if the appropriate Secretary finds that performance affected by the waiver does not justify continuation.

Examples of Potential Waivers

Department of Labor

- JTPA Summer Youth Employment and Training Program: The Act limits summer youth funds to the summer or vacation period. A waiver of this time-limit requirement would provide greater flexibility for these funds to be used during the school year in school-to-work programs.
- JTPA State Set-aside for Education Coordination: This provision provides that 80 percent of a State's set-aside funds for education must be used for participants and 20 percent may be used for coordination activities. In the initial stages of a school-to-work initiative, more than 20 percent of these funds might be needed for coordination and development. A waiver could help achieve this.

Department of Education

- Perkins Act Tech-Prep Education Program: A waiver to the consortia requirement would permit States to require that employers, labor organizations, and other appropriate parties be added as equal partners with secondary and postsecondary education to consortia eligible to receive Tech-Prep funds. This would make it possible for a Tech-Prep consortium to serve as the school-to-work partnership.
- Perkins Act Local Applications: Waiving some of the requirements for local grant applications would permit more flexibility for funds to be used on school-to-work activities.

THE PRESIDENT HAS SEEN
7/15/93

To McLarty
Gergen
back to Alexis

THE WHITE HOUSE

WASHINGTON

93 JUL 8 P3:37

July 6, 1993

re (1) Good (Send signif letter)
(2) What mechanism follow up on specific issues they raise
(3) Perhaps should do some away for small business

BC

MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN
AMY ZISOOK, MARILYN DIGIACOBBE

SUBJECT: REPORT ON WEEKLY BUSINESS LEADER LUNCHEONS

As you requested, we have prepared the following report on the weekly CEO luncheons of which we have now conducted a total of six. This report outlines the process, substance, and follow-up being implemented around these luncheons, as well as provides an update on the media that has been generated as a result of the luncheons.

I. CEO Targeting

The first group of luncheons was meant to reach major players and opinion makers in the business community. In a time when we were looking to establish ties in the business community and gain support for the economic package, the communication with major corporate leaders was helpful to our strategy. These well known figures attracted media attention which was useful in influencing Members of Congress.

As we look ahead to the next group of luncheons, we will add new dimensions to our audiences. We have created a national business leader target list and categorized it by industry and issue. As we expand outside of the major players and opinion makers, we will have a stronger issue focus by which to structure these meetings. An example of this being the G-7 luncheon meeting that was conducted July 1, 1993. Some of the immediate focuses are small business; entrepreneurs; service industry and retailers; as well as a lunch with CEOs who provided summer jobs through the "Summer Challenge."

We will continue to reach out to a diverse group and be sensitive to ensuring a mix of regional representation, varying company size, minority representation, and women.

II. Invitation Process

My office has instituted a regular procedure for inviting and preparing for the luncheon meetings.

- *Invitation Call*

- *Followed by faxed letter of invitation*
- *Background calls to government representatives to gain information on CEOs and issues of interest to them*
- *NEXUS/LEXUS searches on CEOs (this is often done prior to invitation to ensure no surprises)*
- *Preparation of briefing memorandum*
- *Logistical coordination in conjunction with the Social Secretary*
- *Media coordination in conjunction with Media Affairs*

III. Post Luncheon Follow-up

The following procedural follow-up has been instituted.

- *Event debrief - we are capturing the highlights of the luncheon meetings and views of the individual CEOs (see attached form)*
- *Thank you letters - please see attached samples of*
  Letter from President Clinton to CEO
  Letter from Alexis Herman to CEO
  Letter from Amy Zisook to CEO government representative
- *Photographs of CEO with President signed and mailed to CEO*
- *Follow-up calls to CEOs and CEO representatives to follow up on unresolved issues and keep the dialogue going. Alexis Herman and Amy Zisook have been making these calls. On occasion, we have assigned calls to Mack McLarty, Bob Rubin and Roger Altman*
- *Regular written communications with this growing CEO network (see examples of mailings sent)*
- *Inclusion of CEOs in White House social functions such as small dinners and larger events. We have been funneling the names of selected luncheon attendees to the Social Secretary for inclusion.*

IV. Media Generated

These forums have attracted a fair level of media attention. Following each luncheon, a number of CEOs have made themselves available to the press at the stakeout. We usually have three or more CEOs who agree prior to the luncheon to speak to the press. For these CEOs we are able to make prior arrangements for print, radio, and/or television from their company's region. Also, there are at most times additional CEOs who offer after the luncheon to speak to the press. They are also taken to the stakeout. Guests, however, are never pushed to speak to the press.

Following are some samples of media generated as a result of your luncheons with business leaders.

Print

The Birmingham News, June 17
"President draws Drummond's praise" (see attached article)

Washington Post, June 30
"Clinton's CEO Lunch Bunch" (see attached article)

Radio

May 19
Norman Augustine, Martin Marietta - Washington, D.C.
John Bryan, Sara Lee - Chicago WBBM, WGN
William Chee, National Assoc of Realtors - Honolulu stations

June 2
Curtis Barnette, Bethlehem Steel - Harrisburg, Pennsylvania Radio Pennsylvania, WHP
George Mead, Consolidated Paper - Wisconsin Radio Network, WTMJ

June 16
Paul Allaire, XEROX - "All Things Considered", National Public Radio, and Stamford, Connecticut, WSTC
Warren Buffett, Berkshire Hathaway - Omaha, Nebraska KKAR, KFAB

June 23
Robert Denham, Salomon - New York, WCBS

Television

Nightly Business Report, PBS
Interviewed Eaton, Chrysler and Poling, Ford - May 19
Interviewed Jack Smith, GM and Llewellyn, Coca-Cola Bottling - May 26
Interviewed Cook, ARCO - June 16
Interviewed Denham, Salomon and Levin, Time Warner - June 23

CNBC
Warren Buffett, Berkshire Hathaway Live - June 16
Gerry Levin, Time Warner Live - June 23

Television (continued)

Moneyline, CNN

Interviewed Red Poling after his invitation to the White House.
Interviewed Curtis Barnette, Bethlehem Steel and Joe Gorman, TRW the evening prior to their visit to the White House.

ABC News, NBC News, CBS News, and CNN were among news services who provided packages to their affiliates for use.

CEO WEEKLY MEETING DE-BRIEF

DATE OF EVENT: 6/23/93 **TIME:** 12:30 p.m.
SITE: Old Family Dining Room, The White House

CEO ATTENDEES (NAME, COMPANY)

1. Dwayne Andreas, Archer Daniels Midland Company
2. Curt Bradbury, Worthen Banking Corporation
3. John Bryson, Southern California Edison
4. Ronald Compton, Aetna Life Insurance & Casualty Company
5. Robert Denham, Salomon, Inc.
6. Nolanda Hill, Corridor Broadcasting Company
7. William Stiritz, Ralston-Purina
8. Leslie Wexner, The Limited, Inc.
9. Gerald Levin, Time-Warner
10. Stanley Gault, Goodyear Tire & Rubber Company

WHAT WAS THE GENERAL TONE OF THE MEETING ? ______________________

WHAT ISSUES WERE DISCUSSED ? ______________________

FOCUS / MEETING HIGHLIGHTS ______________________

SPECIFIC QUESTIONS RAISED THAT REQUIRE FOLLOW-UP ______________________

WHAT WAS THE ROLE OF SPECIAL GUESTS ? (ie: Vice-President, Sec. Bentsen) ____

____

____

____

____

HOW DOES EACH CEO RESPOND TO THE PRESIDENT AND WHERE DO THEY STAND ON THE MAJOR ISSUES ?

1. Dwayne Andreas, Archer Daniels Midland Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

2. Curt Bradbury, Worthen Banking Corporation

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

3. John Bryson, Southern California Edison

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

4. Ronald Compton, Aetna Life Insurance & Casualty Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

5. Robert Denham, Salomon, Inc.

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

6. Nolanda Hill, Corridor Broadcasting Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

7. William Stiritz, Ralston-Purina

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

8. Leslie Wexner, The Limited, Inc.

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

9. Gerald Levin, Time-Warner, Inc.

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

10. Stanley Gault, Goodyear Tire & Rubber Company

General support of POTUS?	YES	NO
General support for Reconciliation?	YES	NO
General support for Health Care?	YES	NO
Willing to help the Administration?	YES	NO

WHICH CEO'S WERE AVAILABLE FOR PRESS AFTER THE MEETING ? ________

____
____
____
____
____
____
____

THE WHITE HOUSE

WASHINGTON

June 24, 1993

Mr. William Stiritz
CEO
Ralston-Purina
Checkerboard Square
St Louis, MO 63164

Dear Bill:

On behalf of President Clinton, I would like to thank you for taking the time to have lunch with us here at the White House.

I believe continued interaction between the Administration and the business community is of critical importance. Such meetings enable the President to hear the views of our nation's business leaders first hand.

I look forward to further developing our relationship and our ability to work together in a direction that will move this nation forward.

Again, thank you for your time. If you have any questions or concerns please feel free to contact me.

Sincerely,

Alexis M. Herman

Alexis M. Herman
Assistant to the President and
Director, Office of Public Liaison

THE WHITE HOUSE

WASHINGTON

June 28, 1993

Mr. Rudolph A. Vignone
Vice President Government Relations
Goodyear Tire & Rubber Company
901 15th Street, N.W.
Suite 350
Washington, DC 20005

Dear Rudy:

Thank you for helping to arrange Stan Gault's attendance at the luncheon hosted by President Clinton on June 23, 1993.

I greatly appreciate your help in making this possible. I hope he found this meeting to be both beneficial and enjoyable. I know that President Clinton considers these lunches to be an excellent opportunity to exchange ideas and to hear the concerns of the business community first hand.

I would appreciate any feedback you may have from the lunch. Please let me know if I can be helpful with any follow-up from their conversation.

I look forward to continuing our work together. Again, thank you for your assistance.

Sincerely,

Amy Zisook

Amy Zisook
Special Assistant to the President
Office of Public Liaison

THE WHITE HOUSE

WASHINGTON

June 2, 1993

Mr. Edwin Artzt
Chairman
Procter & Gamble
One Procter & Gamble Plaza
Cincinnati, OH 45202-3315

Dear Ed:

As you may know, President Clinton announced on May 28th that he was extending Most Favored Nation (MFN) status for China through July 3, 1994.

Enclosed please find a copy of the President's statement from May 28th as well as a copy of the Executive Order placing conditions on further renewal of MFN in 1994.

I just wanted to keep you apprised of this issue affecting the business community.

Sincerely,

Alexis M. Herman

Alexis M. Herman
Assistant to the President and
Director, Office of Public Liaison

THE WHITE HOUSE

WASHINGTON

June 17, 1993

In a recent speech to the Business Roundtable, President Clinton addressed issues that may be of interest to you as a member of the business community.

I have enclosed a copy of the President's remarks for your review.

Alexis M. Herman
Assistant to the President and
Director, Office of the Public Liaison

Stephen W. Raby
Administrative Assistant

Howell Heflin
United States Senator
Alabama

728 Hart Building
Washington, D. C. 20510
(202) 224-4124

THE BIRMINGHAM NEWS

MONEY

Pg 5D

THURSDAY, JUNE 17, 1993

President draws Drummond's praise

'He listens,' coal company exec says

Gary Drummond

By Michael Brumas
News Washington correspondent

> "I don't think he's (Clinton) had a chance yet to prove his performance one way or the other."
> *Gary Drummond*

WASHINGTON — Gary Drummond of Birmingham, chairman and chief executive officer of the Drummond Co., didn't vote for Bill Clinton, but he came away from a White House luncheon Wednesday saying he was impressed with the president.

"The president is very bright," Drummond said. "He handles himself very well, and he listens. I was very impressed."

The Alabama coal company executive was among a group of nine corporate CEOs Clinton invited to lunch at the White House for a discussion of the administration's economic plan and a host of other issues.

Other CEOs at the luncheon included Paul Allaire of the Xerox Corp., Lodwrick M. Cook of ARCO and Bert Roberts of MCI Communications.

Drummond told reporters afterwards that he supports the Senate Finance Committee's efforts to raise taxes on gasoline and diesel fuel as a way to help pay for Clinton's deficit-reduction plan.

Clinton originally had proposed a broad energy tax on most fuels, including coal, but some Senate Democrats on the Finance panel effectively blocked action on the budget until Clinton agreed to drop the broad-based energy tax.

Drummond said he favored a gasoline tax over Clinton's energy tax plan because "we can't handicap manufacturing in this country anymore than it's handicapped."

"The gasoline tax, quite frankly, is a consumer tax. I guess that's what it all gets back to," he said.

As a rural state, Alabama ranks high in gasoline consumption. Reminded that Alabama would be hurt more than many states under a motor-fuels tax, Drummond said, "Maybe that'll discipline us some."

Drummond said he raised the issue of health care with Clinton, who is preparing a major health care reform proposal.

"It's one of the big threats to American industry and especially to our industry," he said.

As Drummond emerged from the executive mansion, members of the national media asked him if he was disappointed in Clinton's performance so far as president.

"I don't think he's had a chance yet to prove his performance one way or the other," Drummond responded.

Drummond said he comes "from the Republican ranks," but supports Clinton "because he is the president."

Drummond was asked whether he thought Clinton had made many mistakes during his first six months in office.

"Sure. He admits he's making mistakes, but let's hope he's doing a lot of things right," said Drummond.

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Clinton's CEO Lunch Bunch

Over Meals, the President Seeks Corporate Advice and Consent

By Jerry Knight
Washington Post Staff Writer

President Harry S. Truman used to take people "to the woodshed" when he wanted something from them. President Clinton takes them to lunch.

In sessions that resemble small town Rotary Club lunches—but with Fortune 500 executives rather than Main Street business owners—the president is bringing corporate leaders to the White House once a week for an unusual exercise in economic policy making.

Tomorrow, Clinton will again gather business leaders around the mahogany table in the Old Family Dining Room to seek support for his efforts to bring down the deficit, improve the nation's trade balance and reform the health care system.

The weekly lunches with nine or 10 executives are a sign that Clinton, despite his rhetoric about taxing the rich, is comfortable around corporate titans, values their advice and is keen on winning their backing.

The goals of the sessions are not only to sell his administration's economic policies to business executives, who by tradition tend to be a Republican constituency, but also to sell himself as a credible steward of the nation's economy. Both efforts are succeeding, say most of those who have been to the White House lunches, which began in late May.

"I was struck by his tremendous grasp of the American economy and the world economy, both in terms of global picture issues and the micro level," said Robert E. Denham, chairman of Salomon Inc. "One of the reasons he is so well informed is he has sessions like this."

Denham, who heads one of the biggest firms on Wall Street, was one of 10 executives who lunched last Wednesday with Clinton, Vice President Gore, eco-

REUTER

Ford CEO Harold Poling, left, President Clinton and United Airlines CEO Steve Wolf at a lunch in May.

2 $\S^{v}$

nomic policy adviser Robert E. Rubin and presidential counselor David R. Gergen.

Like the four previous lunches, last week's was a mix of corporate superstars—Archer Daniels Midland Co. Chairman Dwayne Andreas, Chairman Leslie Wexner of the Limited Inc.—and more down-home types such as Curt Bradbury, chairman of Worthen Bank in Little Rock, Ark., and Nolanda Hill, chairman of Corridor Broadcasting Corp., which owns Washington's WFTY-TV, Channel 50.

Tomorrow's guest list is made up of about a dozen chief executives of companies that do business in Asia—including Harold "Red" Poling of Ford Motor Co., Joseph T. Gorman of TRW Inc. and George M.C. Fisher of Motorola Inc.—as Clinton prepares for his visit next week to Japan and South Korea.

"I'm very favorably impressed with what the Clinton administration is trying to do," said Andreas, one of several Clinton guests who have given money to Republican candidates.

Describing the guest list as "a table of patriots," Andreas said: "Everyone of us wants to see the president and the government succeed."

White House officials describe the lunches, initiated by White House Chief of Staff Thomas F. "Mack" McLarty, as part of Clinton's effort to continue seeking consensus on economic issues, which began with the three-day economic conference in Little Rock last December.

The president also has made business executives regular guests at a series of private dinners in the family quarters of the White House, reaching out to Corporate America much more aggressively than either President George Bush or President Ronald Reagan ever did.

During the Reagan administration, business leaders complained that their views were not being heard in the White House, but Clinton began courting influential chief executives even before he became president.

After delivering a major campaign speech on the economy to the Detroit Economic Club last August, Clinton met privately with the heads of the Big Three auto companies and has continued to communicate with the auto industry about trade, regulation and health care issues.

General Motors Corp. Chairman John F. Smith Jr., Chrysler Corp. Chairman Robert Eaton and Ford Chairman Poling all have been to the White House for lunch in the last month and auto industry executives say their relations with Washington are better than they have been in years.

"You have a situation where for the first time in a long time government, business and labor are talking about the same things at the same time," said a top Ford executive.

No such dialogue has been opened with consumer groups and the traditional liberal constituencies that candidate Clinton courted last year. "He hasn't invited any of us to the White House," said consumer advocate Ralph Nader.

Clinton's business lunch guests are coming mostly from industrial and manufacturing industries—companies suffering the most from slow economic growth, facing the toughest challenges from important competition and paying the highest health care bills.

The president is not only pitching his economic policies, but also picking the brains of big business executives, his guests report.

"He was seeking input and he was seeking support for what he is trying to accomplish relative to the budget process," said United Airlines Inc. Chairman Steve Wolf, who attended the first of the lunches.

Some of Clinton's guests have brought messages to the White House. Jack Welch, chairman of General Electric Co., said he urged Clinton to deliver the details of any tax increases as quickly as possible to remove uncertainties that may be causing families and businesses to hold back their spending, retarding economic expansion.

LUNCH WITH CLINTON

EXECUTIVES AT THE MAY 19 MEAL

Michael Armstrong
Hughes Aircraft, Los Angeles

Norman Augustine
Martin Marietta, Bethesda

John Bryan
Sara Lee, Chicago

William Choo
RESCO, Honolulu

Robert Eaton
Chrysler, Detroit

John Ong
B.F. Goodrich, Akron, Ohio

Harold Poling
Ford Motor, Detroit

Frank Popoff
Dow Chemical, Midland, Mich.

Robert Winters
The Prudential, Newark

Steve Wolf
United Airlines, Chicago

At the May 24 lunch, Clinton was warned that he and Democrats in Congress will have to take the blame if they do not break the "gridlock" in Washington, said Bruce Llewellyn, president of the Philadelphia Coca-Cola Botting Co.

"As a matter of common sense, the Democrats had better wake up," said Llewellyn, a Democrat who headed the Overseas Private Investment Corp. in the Carter administration.

Most of the table talk, however, has been "polite—probably too polite," said Roman E. Boruta, chairman of Purolator Products Co. of Tulsa, who attended a White House lunch on June 15.

"Nobody really challenged anything" the president said during the lunch, Boruta said. Since then, Boruta wrote the president telling him: "This business forum isn't the right approach for him to get a feel for business. We didn't reach the state of hard-nosed discussions."

But even Boruta credits Clinton for trying to open communication with business leaders and attack long-term economic problems. "I was impressed from the standpoint that he is a man of conscience and deep down, he feels he's doing the right thing," he said.

THE WHITE HOUSE
WASHINGTON

DATE: 07/12/93

TO: LEO COCO

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

THE WHITE HOUSE

WASHINGTON

Mr. Leo Coco
H 113
The Capitol

c/o Congressman Derrick

White House Travel Office

Management Review

July 2, 1993

THE WHITE HOUSE
WASHINGTON

DATE: 07/12/93

TO: THE VICE PRESIDENT
MACK MCLARTY

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

The attached has been forwarded to the President.

Estimate No. ______________
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations to cover emergency expenses arising from the consequences of the recent heavy rains and flooding along the Mississippi River, particularly in the Upper Midwest. The requested funds, totaling $1,660 million in budget authority, are in addition to the $100 million in previously appropriated funds that you made available to the Department of Agriculture's Commodity Credit Corporation disaster assistance fund on July 4th.

In response to your direction, Federal agencies are working together to deliver disaster assistance to the victims of the flooding along the Mississippi River. We have carefully reviewed these activities to determine which agencies require additional resources to carry out these activities. The estimates are necessarily preliminary, and we will work with the Congress to update these estimates as the bill moves forward.

The supplementals requested are as follows:

- For the Commodity Credit Corporation fund, $550 million is requested to be made available immediately, and an additional $200 million to be made available only upon the submission of a later budget request designated by you as an emergency requirement. The additional funds would enable the Commodity Credit Corporation to make disaster payments to farmers who have suffered losses from natural disasters in 1993, including the Midwest floods. Each claim would be funded at the previously used pro-rate of 50.04 percent.

  In addition, authority is requested to use other Commodity Credit Corporation funds if the requested funds are not adequate to provide the 50.04 percent level of assistance for 1993 disasters.

- For the Department of Agriculture's emergency conservation program, $10 million. These funds would assist farmers with debris cleanup and the restoration of damaged farmland.

- For the Army Corps of Engineers, $45 million to repair damage to flood control works within the Upper Mississippi River Basin. After the flood subsides, the Corps will play an active role in cleanup of debris and repair of levees and other flood control systems.

- For the disaster relief fund administered by the Federal Emergency Management Agency (FEMA), $550 million. These resources would enable FEMA to provide funds for the repair of public facilities and for housing and other assistance to those affected by the Midwest flooding. In addition, $250 million is being requested to be made available contingent upon the submission of a later budget request designated as an emergency requirement.

- For the Federal Highway Administration's emergency relief program, $50 million. This program allows the Secretary of Transportation to provide immediate assistance to States whose highways and bridges may be damaged during a natural disaster.

- For operating expenses of the Coast Guard, $5 million. These funds would be used to: purchase emergency supplies in support of the heightened levels of Coast Guard operations; cover the cost of temporary active duty travel, including the limited call-up of Coast Guard Reservists; and repair, restore, and replace lost or damaged aids to navigation.

In addition to these items for which additional appropriations are requested, many agencies are providing assistance within existing resources. Examples follow:

- The Department of Defense, through the Army Corps of Engineers, is providing pumps, sandbags, and other equipment. The Corps has activated its emergency operations center.

- Several thousand National Guard personnel have been called to active State duty to help in the disaster.

- Small Business Administration specialists are on site to explain to homeowners, renters, and business owners the disaster assistance that is available and to help flood victims process their applications.

- USDA staff are available to process applications to provide assistance for crop losses and losses from prevented plantings.

- The Farmers Home Administration (FmHA) will waive various administrative requirements in disaster areas to streamline emergency loan processing. FmHA will authorize a moratorium on FmHA housing loan payments to assist borrowers whose homes or employment have been affected by the disaster.

- o FEMA personnel are on the ground assisting local authorities with either preparedness or recovery efforts. Disaster application centers are open to process applications for disaster relief.

- o The Department of Health and Human Services (HHS) is in contact with affected States and local jurisdictions and has found that there are no major public health threats that are not being addressed by State and local agencies at this time. HHS staff have concerns about potential public health threats after the floodwaters recede. The Centers for Disease Control is consulting with State health departments on these and other health issues.

I have carefully reviewed the supplemental requests and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected agencies in recommending that these proposals be transmitted to the Congress. In addition, except for the two items noted above that are contingent on further action, I recommend that you designate all of the items as emergency funding requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Sincerely,

Leon E. Panetta
Director

Enclosures

THE WHITE HOUSE

WASHINGTON

The Speaker of the

House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests provide for emergency expenses arising from the consequences of the recent heavy rains and flooding along the Mississippi River, particularly in the Upper Midwest. I ask further that the legislation in which these funds are provided be kept free of extraneous matters in order that there may be a minimum of delay in providing necessary funds to the disaster areas.

I hereby designate the following requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended:

- Department of Agriculture, Commodity Credit Corporation, Commodity Credit Corporation fund: $550,000,000;

- Department of Agriculture, Agricultural Stabilization and Conservation Service, Emergency conservation program: $10,000,000;

- Department of Defense - Civil, Corps of Engineers, Flood control and coastal emergencies: $45,000,000;

- Federal Emergency Management Agency, Disaster relief: $550,000,000;

- Department of Transportation, Federal Highway Administration, Federal-aid highways: $50,000,000; and

- Department of Transportation, United States Coast Guard, Operating expenses: $5,000,000.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

Commodity Credit Corporation Fund

For an additional amount for the "Commodity Credit Corporation Fund" to cover 1993 crop losses resulting from excessive rainfall, hail, and floods associated with the Midwest floods of 1993, other 1993 natural disasters occurring prior to August 1, 1993, and natural disasters as declared by the President occurring in calendar year 1993, $550,000,000, and in addition $200,000,000, which shall be available only to the extent an official budget request for a specific dollar amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to Congress, the total to remain available until March 31, 1994: Provided, That from funds previously made available in Public Law 102-368 by Presidential declaration, $100,000,000, to remain available until March 31, 1994, shall be for 1993 crop losses only: Provided further, That if prior to April 1, 1994 the President determines that extraordinary circumstances exist that warrant further assistance, the Secretary of Agriculture shall use such funds of the Commodity Credit Corporation as are necessary to make payments in an amount equal to 50.04 percent of each eligible claim as determined under title XXII of Public Law 101-624: Provided further, That all additional amounts made available herein are subject to the terms and conditions in Public Law 101-624: Provided further, That no payments to producers under this Act shall be at a rate greater than 50.04 percent of each eligible claim: Provided further, That Congress hereby designates the entire amount provided herein as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended: Provided further, That notwithstanding any provision of Public Law 103-50, funds provided by such Act shall not be expended for 1993 crop losses, and claims for assistance from funds provided by that Act by producers with 1990, 1991, and 1992 crop losses shall be paid only to the extent such claims are filed by September 17, 1993.

This request would provide additional funds for the Commodity Credit Corporation to make disaster payments to farmers who have suffered losses from recent flooding in the Midwest and other natural disasters in 1993. The request will ensure that all eligible 1993 disaster claims will be pro-rated by the previously employed factor of 50.04 percent so that the Secretary of Agriculture can immediately assist farmers with 1993 crop losses. The request would further direct that the $100 million in contingency funds recently released by the President is available for 1993 crop losses only. Funds remaining from previous disaster appropriations would be available for 1990, 1991, and 1992 losses only, including crop quality losses, which are eligible under Public Law 103-50.

In addition, authority is requested to use other Commodity Credit Corporation funds if requested funds are not adequate to provide the 50.04 percent level of assistance for 1993 disasters.

Of the amount requested, $550 million has been designated by the President as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Emergency Conservation Program

For an additional amount for emergency expenses resulting from the Midwest floods of 1993, $10,000,000, to remain available until March 31, 1994: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251 (b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

This request would provide additional funds to assist farmers with debris cleanup and in the restoration of farmland damaged by the Midwest floods of 1993.

The entire amount requested has been designated by the President as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

DEPARTMENT OF DEFENSE - CIVIL

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS - CIVIL

Flood Control and Coastal Emergencies

For an additional amount for "Flood Control and Coastal Emergencies," $45,000,000, for the Midwest floods and other disasters, to remain available until expended: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(d)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

This supplemental request would provide additional funds to repair unexpected damage to the non-Federally operated flood control works located within the Upper Mississippi River Basin and other activities authorized under the terms of Public Law 84-99, as amended.

The entire amount requested has been designated by the President as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Disaster Relief

For an additional amount for "Disaster relief," $550,000,000, for the Midwest floods and other disasters, and in addition $250,000,000, which shall be available only to the extent an official budget request for a specific dollar amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to Congress, to remain available until expended: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

The Disaster relief fund is available for disaster relief and assistance authorized when the President makes a declaration of a major disaster or emergency. This supplemental appropriation request is required due to flooding in States along the Mississippi River and its tributaries. The additional resources will enable the Federal Emergency Management Agency to provide funds for repair of public facilities and for housing and other assistance to families and individuals affected by the Midwest floods of 1993.

Of the amount requested, $550 million has been designated by the President as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Federal-Aid Highways

(Highway Trust Fund)

For an additional amount for emergency expenses resulting from the summer floods of 1993 and other disasters, as authorized by 23 U.S.C. 125, $50,000,000, to be derived from the Highway Trust Fund and to remain available until expended: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

This request would provide additional funds for the Emergency Relief program authorized by 23 U.S.C. 125. The Emergency Relief program allows the Secretary of Transportation to provide immediate assistance to States whose highways and bridges may be damaged during a natural disaster, such as the summer floods of 1993.

The entire amount requested has been designated by the President as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Operating Expenses

For an additional amount for emergency expenses resulting from the summer floods of 1993, $5,000,000, to remain available until expended: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

This request would provide funds to cover actual and estimated operating costs associated with emergency and recovery efforts resulting from the flooding along the Mississippi River. Actions now underway or planned include: the purchase of emergency supplies, goods, and services needed to support the heightened levels of Coast Guard operations; the cost of temporary active duty travel, including the limited call-up of Coast Guard Reservists to aid in the recovery; and repairing, restoring, and replacing aids to navigation lost or damaged as a result of the flooding.

The entire amount requested has been designated by the President as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

7/15
3 pkgs
+ Travel
Report to
sent Sen. Tom Daschle

THE WHITE HOUSE

WASHINGTON

July 13, 1993

The Honorable Jack Brooks
Chairman
Committee on Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I understand that your Committee will soon be considering a resolution, H. Res. 198, relating to the White House Travel Office. In connection with the pending resolution, you have inquired about what steps the Administration has taken to review decisions and events surrounding the dismissal of seven employees from the White House Travel Office and what actions may be taken in the future.

As you are aware, Chief of Staff Mack McLarty and OMB Director Leon Panetta undertook an intensive review of actions by the White House staff regarding the White House Travel Office. A copy of the Report of that review was provided to you on July 2, 1993.

Mr. McLarty and Mr. Panetta also asked Attorney General Reno to review the report.

The Attorney General asked David Margolis, a career prosecutor, to review the report. Mr. Margolis found that the report was in substance consistent with the FBI's own internal review. The Attorney General also confirmed that no contact occurred between the White House and the IRS concerning this matter.

The Attorney General is in the process of reviewing any matters relating to the Travel Office and you can be assured that the Attorney General will have the Administration's full cooperation in investigating those matters which the Department wishes to review.

Sincerely,

Bill Clinton

Office of the Attorney General
Washington, D.C. 20530

July 14, 1993

The Honorable Jack Brooks
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I understand that your Committee will consider H. Res. 198, relating to the White House Travel Office.

I am in the process of reviewing the White House Report relating to the Travel Office. The Department of Justice is also continuing its inquiry concerning the Travel Office. Upon our completion, I will determine what further action, if any, is necessary and appropriate.

I look forward to cooperating with you and the Committee on this and other matters.

Sincerely,

Janet Reno

Janet Reno

Office of the Attorney General
Washington, D. C. 20530

July 2, 1993

Honorable Mack McLarty
Assistant to the President
The White House
Washington, D. C. 20500

Dear Mr. McLarty:

I have received your letter of July 2, 1992 regarding the Management Review of the White House Travel Office. We asked David Margolis, a career prosecutor in the Department of Justice, to review this report. He has advised that the Report is in substance consistent with the FBI's report concerning its dealings with the White House on this matter.

With respect to that section of the White House Report which deals with management improvements, Mr. Margolis has suggested to Ms. Seidman that the Department of Justice also be consulted prior to the disclosure of any ongoing investigations regardless of which investigative agency is involved because this Department will always be responsible for the eventual prosecution which may result from an investigation conducted by any agency of the United States (111-3 at page 24). Therefore, it will be the Department of Justice which will respond in court to a defendant's claim of prejudicial pretrial publicity.

On a final note, I have confirmed with the Commissioner of the Internal Revenue Service that the White House did not contact the IRS on the White House Travel matter.

Sincerely,

Janet Reno

Janet Reno

THE WHITE HOUSE

WASHINGTON

July 2, 1993

The Honorable Janet Reno
Attorney General
Department of Justice
10th Street & Constitution Avenue, N.W.
Washington, DC 20530

Dear Madam Attorney General:

As you know, Leon Panetta and I are today releasing a management review of actions by White House staff regarding the White House Travel Office. A copy of the report is attached.

As we have discussed, I would appreciate your review of this report, particularly with respect to its findings regarding contacts with the FBI and to the report's recommendations regarding future contacts, which I intend to implement immediately.

I look forward to hearing from you on this matter, and to your continued advice and counsel in the future.

Personally,

Mack McLarty

Report attached

cc: Congressman Jack Brooks

U.S. Department of Justice

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

June 30, 1993

Honorable Bob Dole
United States Senate
Washington, D.C.

Dear Senator Dole:

Thank you for your letter of June 11th. The story you refer to in the *Washington Post* quotes a May 24th FBI internal document. While we could locate no document exactly matching the description in the *Post* article, the FBI did prepare a May 28th report to the Attorney General that includes a "chronology of events" reflecting a telephone conversation between FBI official Jim Bourke and Associate Counsel to the President William Kennedy on May 13th. That chronology contains the following reference:

> "Bourke recontacted Kennedy himself requesting further details, but Kennedy remained vague as to the details, and commented the matter had to be handled immediately or he would refer the matter to another agency, specifically mentioning the Internal Revenue Service."

The document does not contain a detailed description or summary of the conversation referred to in the *Post*. It was prepared as a record of the sequence of events and was not intended to capture either the details or the essence of the conversation.

For your further information, Mr. Bourke advises that he (Bourke) did not take the mention of IRS to be a threat or an effort to place pressure on the FBI. Rather, in the context of the conversation, Mr. Kennedy was expressing the need for guidance and assistance from <u>some</u> source and Mr. Bourke understood the reference to IRS to mean that if the FBI decided it could not assist him, he would simply have to turn to another agency.

Thank you again for your letter.

Sincerely yours,

William S. Sessions
Director

U.S. Department of Justice

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

June 2, 1993

Honorable Bob Dole
United States Senate
Washington, D.C.

Dear Senator Dole:

Thank you for your letter of May 24th concerning the FBI's investigation into allegations of wrongdoing at the White House Travel Office. I certainly agree that the issues that have been raised must be addressed promptly. I have asked Associate Deputy Director Weldon Kennedy to conduct a careful review of the FBI's handling of this matter. We will provide the results of this review to the Attorney General. While that review has not been completed, I believe I can address your specific questions.

You asked which Administration official originally contacted the FBI. I have been advised that on May 12, 1993, William Kennedy, Associate Counsel to the President, called an FBI official with whom he had day-to-day contact on background investigation matters and advised that he needed guidance and assistance on a matter involving possible embezzlement of funds. On May 13th, FBI officials met twice with Mr. Kennedy at his office after Mr. Kennedy declined to discuss the matter further on the telephone. The FBI went to the White House for the purpose of accepting a complaint of possible criminal activity. On May 14th, Mr. Kennedy on two occasions contacted the FBI by telephone and provided additional information concerning an audit being conducted at the Travel Office and discrepancies being found by the auditors. Also on May 14th, the information received was first brought to the attention of the Fraud Section and then discussed with the Public Integrity Section of the Department of Justice. The discussion centered around the information received, a preliminary assessment of that information, potential evidentiary issues and the predication for the investigation. At that point, the Public Integrity Section agreed with the FBI that there was sufficient predication to continue the inquiry.

Honorable Bob Dole

Next you asked why the FBI issued a press release. In that regard, I have been advised that on Wednesday, May 19th, the White House, at one of its daily press briefings, publicly acknowledged that the FBI was being called in to investigate financial irregularities in the White House Travel Office. In response to the large number of press inquiries generated as a result of this announcement, the FBI prepared and issued a short press release indicating that the FBI would review the matter. This is consistent with and provided for in the Department of Justice Media Guidelines. A copy was sent to the Department of Justice for coordination and to the White House consistent with existing practice of sending courtesy "informational" copies to other agencies when the release is of interest to that entity.

The next day, on May 20th, the White House announced at one of its daily press briefings that the FBI had in fact been called in to investigate and the FBI had been to the White House on May 13th and 15th. As a result, the FBI prepared a more lengthy press "response" indicating that the FBI would analyze the findings of the auditors called in by the White House and then decide on the next steps to take in the investigation. Again, copies were sent in advance to the Department of Justice and to the White House for information. The FBI uses press "responses" as guidance for responding to specific inquiries rather than to distribute generally to the media. This was used by the FBI to respond to press inquiries.

On Friday, May 21st, the FBI was receiving media inquiries asking specifically if the FBI believed it had a basis to conduct a criminal investigation. At that point, the FBI began confirming that criminal investigations are carefully governed by Attorney General guidelines and that the threshold for conducting a criminal investigation had been met, i.e., there was a basis for the FBI to conduct a criminal investigation. That afternoon, a staff member in the White House Press Office asked the official that oversees the FBI's Press Office to the White House for the stated purpose of ensuring the description used by the White House of the FBI's involvement was accurate and whether it could be said that the FBI believed it had a basis to conduct an investigation. The descriptions given were confirmed as accurate. Subsequent to that contact, the FBI revised its press "response" in recognition of the nature of the current press inquiries being received by the FBI and the likelihood that the White House would again discuss that point at a press briefing. As on the prior occasions, a copy was sent to the Department of Justice and a courtesy copy was sent to the White House. The White House unexpectedly distributed the response.

Honorable Bob Dole

Because the FBI criminal investigation into the allegations about the Travel Office is continuing, I am not yet able to respond to your specific question about the status of the investigation other than to say that it is ongoing. You can be assured that we will investigate the allegations thoroughly and carefully until the allegations of criminal wrongdoing can be resolved.

Finally, you asked if it is the normal practice for the FBI to issue a press release concerning pending criminal investigations. That is our practice only with high profile investigations that have been confirmed publicly by a credible source or with other major investigations where it has become obvious that we are investigating and it is deemed appropriate to assure the public that the matter is being addressed. Recent examples include the bombing of the World Trade Center, the investigation into allegations of tampering with then presidential candidate Clinton's passport files, and the murder of U.S. Court of Appeals Judge Vance. Confirmation of criminal investigations under these circumstances is specifically provided for in the long standing Department of Justice Media Guidelines.

I wholeheartedly agree with the implication of your letter; that is, the FBI must not even appear to be subject to political influence. The Attorney General has already taken steps to further ensure that does not happen and that even the appearance of influence is not created. On the other hand, regardless of the sensitivity or the involvement of another Government entity, including the White House, the FBI must not be hesitant to investigate credible allegations of criminal misconduct.

Sincerely yours,

William S. Sessions
Director

established in Public Law 102–393 is hereby reduced by such amounts: *Provided further,* That the amount deposited into the Fund is reduced by $5,900,000: *Provided further,* That of the funds provided under this heading in Public Law 101–509 for the Northern Virginia Naval Systems Commands, $25,000,000 are rescinded.

ALLOWANCES AND OFFICE STAFF FOR FORMER PRESIDENTS

For an additional amount for "Allowances and Office Staff for Former Presidents", $194,000.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

OPERATING EXPENSES

For an additional amount for "Operating Expenses", $2,997,000.

GENERAL PROVISIONS

SEC. 801. Not to exceed 2 per centum of any appropriations made available to the Executive Office of the President in fiscal year 1993 may be transferred between such appropriations with the exception of appropriations to the Office of National Drug Control Policy. Notwithstanding any authority to transfer funds between appropriations contained in this or any other Act, no transfer may increase or decrease any appropriation by more than 2 per centum and any such proposed transfers shall be approved in advance by the Committees on Appropriations of the House and Senate.

SEC. 802. Notwithstanding any provision of law, funds made available to the United States Customs Service by this or any other Act, may be transferred to State and local governmental agencies for law enforcement purposes.

SEC. 803. Section 617 of Public Law 102–393 is hereby repealed.

SEC. 804. Notwithstanding any other provision of law, $2,000,000 made available by transfer to the Drug Enforcement Administration from the "Special Forfeiture Fund" account of the Office of National Drug Control Policy in Public Law 102–393 may be used for an expansion study of the El Paso Intelligence Center and for the operation and maintenance of the computer systems at the Center.

SEC. 805. Notwithstanding any other provision of law, the Comptroller General of the United States shall conduct a review of the action taken with respect to the White House travel office and shall submit the findings from such review to the Congress by no later than September 30, 1993.

Summary Talking Points on the White House Travel Office

A Candid, Hard-hitting, Self-Critical Report

- The report names names, catalogues White House mistakes and reprimands those responsible. In addition, the review apologizes to those treated unfairly.

- The Report has been favorably received in the press:

-- "Report is Strikingly Self-Critical" (New York Times, 7/3/93)

-- "surprisingly candid" (Atlanta Constitution, 7/8/93)

-- "McLarty and...Panetta were gratifyingly forthright and self-critical." (Detroit Free Press, 7/7/93)

-- "an unusually self-critical evaluation" (St. Petersburg Times, 7-7-93)

The Review of the Travel Office Is Ongoing

- The White House Report is not the last word on the Travel Office incident.
- First, in supplemental appropriations bill enacted July 2 (P.L. 103-50), Congress directed the **General Accounting Office** to "conduct a review of the action taken with respect to the White House travel office" and report its findings no later than September 30, 1993.
- Second, **the President** has underscored in a letter to Chairman Brooks that Attorney General Reno "is in the process of reviewing any matters relating to the Travel Office" and that she will have the Administration's "full cooperation in investigating those matters which the Department wishes to review."
- In a separate letter to Chairman Brooks, **the Attorney General** has confirmed that she is "personally reviewing" the White House Report relating to the Travel Office; that the Department of Justice is continuing its inquiry of the Travel Office; and that upon completion of both of these inquiries, she will determine whether further action is appropriate.

The Travel Office Was A Financial Mess

- There were unaccounted for funds -- $18,000 over the 17-month period examined by the Peat Marwick team;
- there were no adequate financial controls;
- no adequate cash management system -- not even a general ledger or cash receipts/disbursements journal;
- no adequate documentation.

The White House Has Admitted Error

Irrespective of financial mismanagement in the Travel Office, the White House has admitted that in handling the incident, it made a number of mistakes:

- **Dealings with the FBI** -- While the initial call by Associate White House Counsel Bill Kennedy was not improper (no guidelines in this or prior Administrations barred contacts with the FBI regarding potential wrongdoing), subsequent dealings with the FBI **were** improper, including (i) comments by Kennedy that could have been interpreted as applying pressure; (ii) the public disclosure of FBI involvement; (iii) calling the FBI's head of Public and Congressional Relations to the White House for a communications meeting.

- **Treatment of employees** -- The White House tarnished their reputations by disclosing FBI involvement and terminating them in an unnecessarily abrupt and insensitive manner;

- **Personal interests** -- The White House did not make adequate efforts to insulate White House decisions from even the appearance that personal interests have played a role in the outcome (with particular reference to Harry Thomason, Catherine Cornelius and Jeff Eller).

- **White House management** -- The White House did not engage in the kind of deliberate, careful planning that the replacement of an Office like this warrants and requires.

No White House Contact with the IRS

- The White House did not contact the IRS about the travel office, as confirmed by the IRS internal review.

- Attorney General Reno also verified this by letter to Chief of Staff Mack McLarty (July 2), saying she has "confirmed with the Commissioner of the Internal Revenue Service that the White House did not contact the IRS on the White House Travel matter."

The White House Has Taken Corrective Measures

The White House has taken steps to ensure that the mistakes it made won't be repeated. It has:

- Issued revised guidelines on initial White House contacts with the FBI concerning ongoing FBI investigations or possible criminal activity;
- issued revised guidelines clarifying that it is never appropriate to contact the IRS to initiate an audit;
- issued new guidelines forbidding disclosure by White House Press Office of ongoing investigations, except in extraordinary circumstances (with the approval of White House Counsel and the Chief of Staff or Deputy Chief of Staff);
- issued new guidelines on contacts between the White House and FBI press offices;
- drafted new guidelines, to be finalized shortly, on access to White House by people who are not full-time government employees;
- selected a private travel agency (American Express) by competitive bid to handle commercial travel on an interim basis (until a permanent bid can be let), at substantial savings;
- instituted a new competitive bid process to select press charters;
- established a new accounting system for the Travel Office to assure sound financial management;
- publicly reprimanded an Assistant to the President (David Watkins), an Associate White House Counsel (Bill Kennedy), and a Deputy Communications Director (Jeff Eller); and reprimanded and reassigned Catherine Cornelius.

Why The Travel Office Employees Were Not Interviewed

- Within days after beginning work on the management review, the White House told the Justice Department that it wished to afford the Travel Office employees an opportunity to be interviewed.

  Deputy Attorney General Philip Heymann specifically asked the White House not to interview the employees, and several weeks later sent a letter confirming the Justice Department's request.

  That letter (Exhibit A to the Report) says that "The Department believes that interviews by White House personnel of these seven individuals at this time may delay and otherwise negatively impact the FBI's inquiry. Accordingly, we ask that any such interviews by postponed, pending the completion of our investigation."

Current Status of the Travel Office Employees

- The five employees who had no financial authority over the Travel Office will be reassigned to appropriate positions in the Executive Office of the President or other agencies. The remaining two have retired.

<u>Why There Was No Bid for the Peat Marwick Contract</u>

- The facts of the Peat Marwick assignment are set forth in the Report (pp. 9-10). Under 41 U.S.C. 253 (c), a competitive bid is not required when there is "an unusual and compelling urgency." The White House had received allegations of wrongdoing and mismanagement, and there was a determination that **-- in order to discover the facts and preserve documentary evidence --** a professional review should be undertaken at once.

<u>Was Harry Thomason a Special Government Employee and Did He Violate the Conflict of Interest Laws?</u>

- The facts concerning Thomason are set forth in the Report (pp. 5-7, 19).

- To the extent that the GAO or the Department of Justice believes that there are any pertinent issues concerning Thomason, they will undoubtedly review them.

The Atlanta Journal
THE ATLANTA CONSTITUTION

• THURSDAY, JULY 8, 1993 •

Admitting mistakes and moving on

The Clinton White House, its credibility on the rise since the arrival of David Gergen as presidential counselor and PR guru, last week tried to clear away the wreckage of its previous disasters by releasing an internal report on the travel-office fiasco.

The report, which is surprisingly candid, goes a long way toward achieving that goal.

The scandal broke back in May, after the White House fired seven members of its travel office left over from previous administrations. White House spokesmen talked then of "gross mismanagement" in the office and hinted that criminal conduct might be involved.

But while the mismanagement charge could be backed up with evidence, the hints of corruption could not, at least not immediately. To justify that contention, White House officials improperly pressured the FBI to admit that it had begun an investigation, a step that violated FBI policy.

Within a couple of days, it also became apparent that the travel-office purge had been motivated in part by the personal ambition of White House staffers who coveted jobs in and control over the office. Presidential best-buddy Harry Thomason, a TV producer who had been given free run of the White House, also meddled inappropriately in the affair.

Shortly afterward, five of the seven fired employees were restored to the federal payroll and U.S. Sen. Robert Dole (R-Kan.) was drawing parallels to Watergate.

As the report makes clear, this was not Watergate, but it was serious. Four Clinton staff members were publicly reprimanded for their roles, even though it's possible to argue that in some cases their mistakes justified, or even required, outright dismissal.

However, Mr. Clinton and his chief of staff, Thomas McLarty, apparently concluded that the mistakes could be attributed to the inexperience of the staff members in question, compounded by a lack of leadership and oversight from top officials. Mr. McLarty also hinted that the days of Mr. Thomason's roaming freely throughout the White House had ended.

Attorney General Janet Reno has been asked by the White House to review the report, and she'll no doubt do a thorough job. Unless she uncovers further evidence of wrongdoing, the case is closed and the Clinton White House can count itself lucky not to have suffered worse from its early incompetence.

Detroit Free Press 7/7/93

TRAVEL OFFICE

White House staff properly accepts responsibility

In their report last week on the White House travel office fiasco, Chief of Staff Thomas McLarty and Budget Director Leon Panetta were gratifyingly forthright and self-critical.

By abruptly firing the office's seven employees, President Bill Clinton's staff took an apparently legitimate problem — relatively loose management of the travel office — and utterly obscured it by the inappropriateness of its response. By initially naming a distant cousin of the president to take over the operation, it fueled suspicions of cronyism.

And by suggesting the possibility of criminal misconduct and using the FBI to reinforce that charge, the White House staff did a real injustice to the employees who were thus dismissed and trashed.

By its mea culpa and its public rebuke of four White House staffers, the administration evidently has avoided trying to minimize or cover up what was badly wrong in the travel office affair. Ironically, the report and Mr. McLarty's apology were issued at just about the time it was becoming clear, separately, that the president's infamous runway haircut *hadn't* held up traffic at Los Angeles International Airport.

The truth about what has been done to the president, as well as about what the president's staff has done to others, is hard to set right later. In this case, the White House has tried.

That doesn't undo the damage — to the lives of the fired employees, to public confidence in the FBI's independence, to Mr. Clinton's reputation — but it was the least the administration could do.

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White House Rebukes 4 On Travel Staff Shake-Up

Report Is Strikingly Self-Critical on Dismissals

By THOMAS L. FRIEDMAN
Special to The New York Times

WASHINGTON, July 2 — The White House today issued a strikingly self-critical report that faulted the behavior of one of its authors and rebuked four other officials for the dismissals of the White House travel staff last May. The four were reprimanded for improperly dismissing the staff members, for appearing to pressure the F.B.I. and for permitting a friend of President Clinton's to become involved in a matter in which he had a financial stake.

The 80-page report on the travel office affair, which paralyzed Mr. Clinton's staff for a week in May, also disclosed that Hillary Rodham Clinton had taken a personal interest in accusations of mismanagement at the office, which handles the itineraries of White House officials and the White House press corps.

The report said Mrs. Clinton strongly supported the original investigation into management of the travel office and was informed by memorandum, two days before the President was informed, that the seven members of the travel staff were going to be dismissed on May 19.

Little Mention of Clinton

The report was published six weeks after the White House publicly humiliated the seven travel aides by announcing their summary dismissals, claiming it had evidence of gross mismanagement and hinting that some of the staff might have been involved in criminal activity. Over the course of several embarrassing days, the White House was forced to retreat, rehire five of the seven and investigate its own actions.

The report made no significant mention of Mr. Clinton, although he had earlier accepted ultimate responsibility for the affair. The White House Chief of Staff, Thomas F. McLarty 3d, who wrote the document with Leon E. Panetta, the budget director, assumed the overall management responsibility for the dismissals, which he said he did without first notifying the President. It was not clear what input, if any, the President or Mrs. Clinton had in subsequent decisions. The report suggests that they had none.

It concludes that Mr. McLarty and the White House Counsel's office had "the opportunity to contain the momentum" of the travel office affair as it ballooned "but did not take adequate advantage of this opportunity."

The release of the report in the White House press room made for an extraordinary session of reprimand, self-criticism and confession by officials of the Clinton White House. Appearing subdued and contrite, Mr. Panetta and Mr. McLarty were blunt in admitting mistakes. But they stopped short of admitting that any staff members had lied or that more than just "appearances" of impropriety, cronyism and pressure

Continued on Page 6, Column 1

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White House Is Sharply Self-Critical on Travel Staff Shake-Up

Continued From Page 1

tactics had been involved — even though the report itself suggests evidence of both.

'Mistakes Were Made'

"There were no criminal violations involved here," Mr. Panetta said. "Mistakes were made — mistakes of judgment, mistakes of inexperience that included inappropriate actions with respect to the F.B.I., allowing the appearance that personal interest and favoritism could play a role in management decisions, and unfair treatment of White House employees."

The only punishments meted out to the four White House employees held responsible for those mistakes were letters of reprimand; there will be no loss of pay.

The Senate Republican leader, Bob Dole of Kansas, criticized that discipline as too mild, saying, "Somebody ought to be more than just reprimanded."

The four reprimanded White House employees were: David Watkins, director of administration and management; William Kennedy, an assistant White House counsel; Jeff Eller, director of media affairs; and Catherine Cornelius, the current head of the travel office.

Travel Office Report at a Glance

Highlights of the White House report on the dismissal of [illegible] staff in May.

WHAT THE TRAVEL OFFICE DID WRONG

- Inadequately controlled cash and checks.
- Billed press corps according to cost estimates, not exact prices.
- Inadequately documented bills.
- Had no written contract with the airline charter company.

WHAT WHITE HOUSE OFFICIALS DID WRONG

- Dismissed travel office employees without notice, [illegible] without a chance to defend themselves and without giving adequate reasons.
- Left the appearance of putting pressure on the F.B.I. by improperly contacting the bureau.
- Left the impression that friends of the President who had a financial stake in the investigation of the office were allowed to influence decisions.
- Improperly hired a company that had had financial relationships with the Clinton campaign and with Clinton Administration officials to take over the travel office.

Ms. Cornelius, a 25-year old distant cousin of Mr. Clinton, will be reassigned to another job, Mr. McLarty said. At Mr. Watkins's behest, Ms. Cornelius copied and smuggled documents out of the travel office in the process of building a case against the seven old employees, the report said. After the dismissals, she was put in charge of the office.

Producer's Role Questioned

The report also questioned the role played by Harry Thomason, the Hollywood producer and close friend of the Clintons with his own White House pass, who was advising the White House on staging Presidential events. Out of concern for the President, the report said, Mr. Thomason took it upon himself to look into the affairs of the travel office and to question why associates of his in the airline industry were not able to bid on White House business. The report said that this "clearly extended beyond what he was originally asked to do" and that he and his friends "stood to benefit" from a reorganization of the office.

Mr. McLarty personally apologized to the seven travel office employees for dismissing them without appropriate sensitivity or care. He said that the five who were not involved with financial transactions in the office would be returned to Government jobs and reassigned to other departments.

Despite the myriad missteps by the White House, Mr. McLarty and Mr. Panetta insisted that the basic reason for their looking into the travel office in the first place was valid, and that new procedures instituted there would result in savings for taxpayers and the traveling press.

"This was an area where they had unaccounted-for funds almost totaling $18,000," Mr. Panetta said. "There was no formal financial reporting process, no reconciliation of financial information, no documented system of checks and balances on transactions and accounting decisions within the office."

Today's report stopped short of exonerating any of the dismissed staff members, noting that the F.B.I. investigation was continuing. The agency has said it found no evidence of criminal wrongdoing.

The report divides the White House's missteps into several areas. First, it said, "the abrupt manner of dismissal of the travel office employees was unnecessary and insensitive." While a report by the accounting firm Peat Marwick found mismanagement, it "did not furnish sufficient evidence for terminating" the five employees who had no financial authority in the office. And the report said that the two employees who did have such authority should have received a full explanation for their termination, evidence of wrongdoing and an opportunity to respond.

Second, an associate White House counsel, Mr. Kennedy, called the F.B.I. to seek guidance on how to look into an internal security matter of this nature. When the F.B.I. did not respond quickly enough to satisfy Mr. Kennedy, he contacted several F.B.I. officials and "appears to have made statements conveying urgency and high levels of White House interest," the report said.

According to Jim Bourke, the Chief of the F.B.I.'s Special Inquiry Unit, "Kennedy said that he needed to hear from Bourke within the next 15 minutes and that if the F.B.I. were unable to provide guidance, Kennedy might have to seek guidance from another agency, such as the I.R.S.," the report said.

This would not have been justified, the report said, and "could have been interpreted as an ultimatum, even if that was not intended."

Insensitivity Alleged

The report also said it was a mistake for the White House communications office to disclose publicly that the F.B.I. was examining possible criminal behavior in the travel office, since it is standing F.B.I. policy not to confirm or deny such investigations.

In addition, the report said, an "appearance of impropriety" was created when the White House brought the F.B.I.'s spokesman, John Collingwood, to a White House communications meeting to discuss issuing an F.B.I. press release saying that criminal wrongdoing was possible at the travel office.

Finally, the report says, White House officials took "several actions that demonstrated an insensitivity to the appearance of favoritism."

THE NEW YORK TIMES SATURDAY, JULY 3, 1993

White House says firings were wrong

13/3/3/5

Chicago Tribune 7/3/93

WASHINGTON (AP)—The White House acknowledged Friday that it erred in firing seven travel office employees and urging the FBI to investigate them, but it maintained the travel unit engaged in "seriously deficient" bookkeeping.

"Mistakes were made," said White House Chief of Staff Mack McLarty in publicly reprimanding four White House staff members.

Among those reprimanded was Catherine Cornelius, the 25-year-old distant cousin of President Clinton who was put in charge of the travel office after the firings. McLarty said she would be reassigned.

"I personally and professionally apologize" for the episode, McLarty said. He said five of the fired travel office employees would be offered new jobs somewhere in the government.

An 80-page report compiled by McLarty and Budget Director Leon Panetta concluded that, despite questionable financial practices of the travel office, the White House should have acted "with more sensitivity" toward the rights of the workers who were fired.

It also accused the White House of "not being sufficiently vigilant in guarding against even the appearance of pressure on the FBI."

The White House has been accused of abuse of power in trying to persuade the FBI to investigate the office without going through usual Justice Department channels; and of favoritism.

The travel office handles millions of dollars a year, arranging press charters for reporters who cover the White House and billing news oranizations for the trips. It also arranges commerical travel for White House workers.

"We did the right thing but we clearly did it in the wrong way," McLarty said, saying the administration's intention in the reorganization had been to save taxpayers and news organizations money.

The report found that "the financial management of the travel office was seriously deficient."

Among the lax procedures it alleged were that thorough records were not kept of cash on hand; documentation of bills submitted to news organizations "was either inadequate or nonexistent;" and no written contract existed between the travel office and the charter airline used for most trips.

McLarty reprimanded four White House staffers: David Watkins, director of administration and management; William Kennedy, associate White House counsel; Jeff Eller, director of media affairs; and Cornelius.

John Dreylinger, one of the suspended travel office workers to be offered a new job, said "obviously I feel good" about the development. "I don't have much more comment right now. I'll just have to wait and see what happens."

Sacramento Bee

July 3, 1993, METRO FINAL

SECTION: MAIN NEWS; Pg. A9

LENGTH: 1440 words

HEADLINE: WHITE HOUSE BLASTS ITSELF IN FIRING OF TRAVEL STAFFERS

BYLINE: Muriel Dobbin, Bee Washington Bureau

DATELINE: WASHINGTON

BODY:

The White House said it was sorry, admitted its mistakes and publicly reprimanded four staff members Friday in an unprecedented display of high level remorse for mishandling the firing of seven travel office employees.

"Mistakes were made," said a grim-faced Mack McLarty, the White House chief of staff, as he released an 80-page "management review" report that mixed self-criticism with complaints about the financial management of the travel office.

It recommended White House "management improvements," including restricting contact between presidential employees and the FBI and Internal Revenue Service and establishing a new accounting system in the restructured travel office.

However, not even the White House's wholesale apology satisfied Senate Republican leader Robert Dole, who reacted by asking again for an independent investigation of the travel office fiasco, instead of "this fox-guarding-the-chicken-coop stuff."

"Seriously deficient" bookkeeping is the charge now leveled by the White House against those who ran the travel office and whose abrupt firing more than a month ago was accompanied by an announcement of an FBI investigation that is still under way.

A week after the firings, faced with mounting charges of political cronyism and potential misuse of the FBI, the White House reinstated five of the seven travel office staff.

They have been on administrative leave with full pay and, according to McLarty, they will now be reassigned to "comparable governmental positions." A final decision on their status will follow the outcome of the FBI inquiry. Two employees with "signatory authority" over money were not reinstated.

McLarty said he "personally and professionally" apologized "on behalf of the entire White House staff" to the employees and their families for the White House's premature disclosure of FBI involvement in the case.

"This absolutely should not have happened," said the chief of staff.

As a result of the management review, McLarty announced he issued reprimands to four employees -- Jeff Eller, director of media affairs, David Watkins, director of administration and management, William Kennedy, an assistant White House counsel, and Catherine Cornelius, President Clinton's 25-year-old cousin.

Cornelius is to be "reassigned to another position which has not yet been determined."

Also singled out for criticism was White House press secretary Dee Dee Myers, who was described as "unwise" for "not double-checking the propriety of making reference to a possible FBI investigation."

In addition to apologizing for the disclosure of the FBI probe, McLarty said the treatment of the travel office staff "should have been handled in a more sensitive manner."

Leon Panetta, director of the Office of Management and Budget, joined McLarty in the chorus of public self-criticism at the White House.

"There were mistakes of judgment and mistakes related to inexperience in many instances, and our feeling was that we needed to point that out," he said.

The special report's laundry list of White House errors in handling the travel office brouhaha included "lax procedures and poor planning."

"The process should have been handled in a more careful, deliberate fashion," it asserted. " Travel office employees should have been interviewed. . . . Throughout, the process should have treated the travel office employees with sensitivity and decency."

The report emphasized that although the financial management of the travel office was "seriously deficient," firing all seven employees was wrong.

Also criticized was the role played by Harry Thomason, a Hollywood producer who is a close friend of the president. Thomason became involved in the controversy when he complained about the travel office rebuffing competing bids for White House press charters.

The Thomason connection was cited in the report as an example of the need for "better management control with respect to the mission that any non- White House staff person is brought in to carry out."

The report conceded, "It is entirely plausible that Thomason was in no way motivated by the hope of financial gain," but suggested that he should have "limited his intervention."

Watkins and Eller were accused of being "insensitive" to the fact that disclosure of an FBI inquiry "unfairly tarnishes" the names of those being probed.

The report was sharply critical of Cornelius, who was involved in the Clinton campaign travel organization, and who had been lobbying since December to run the White House travel office.

"She had a personal stake in the outcome," it was charged. "Her role in the decision-making process after she became, in effect, an "accuser' of the travel office employees, by collecting documents and alleging possible wrongdoing, was inappropriate."

Watkins was faulted for placing Cornelius in the travel office, where she copied and smuggled out documents and reported back on what she heard. Eller was accused of "imprudence" for intervention in the matter because of his "personal concern" about Cornelius.

GRAPHIC: Associated Press
Chief of Staff Mack McLarty, left, and budget director Leon Panetta wait to meet reporters in the White House Friday to discuss a report that criticized the firing of travel office staffers.

Dole's attacks...

There are honorable ways to close the gap between liberal Democrats in the House, who are demanding higher taxes to pay for programs targeted at the poor and urban ghettos, and conservatives in the Senate, who want lower taxes and less spending. If the conferees artfully set an energy tax about halfway between the Senate and House bills, they can accommodate the liberals without running roughshod over the conservatives.

The House passed a $70 billion B.T.U. energy

Not worth trying are the extra tax breaks for small businesses and real estate investors passed by the House. They amount to little more than a $10 billion giveaway.

These changes would skew the ratio of spending cuts to tax hikes toward the latter. But the true measure of a budget is not whether it meets a meaningless ratio; it is whether it provides for economic growth while caring for the poor. That goal is within the conferees' grasp.

THE NEW YORK TIMES 7/11/93

A Stealthy, Evasive Confession

When the White House was getting ready to fire all seven employees of its travel office, why was notice sent to Hillary Rodham Clinton and not her husband the President? And why, even after the public had learned how Clinton friends engineered the travel office flushout, did the staff feed President Clinton the discredited line that the firings were simply economy measures?

These are among many questions that remain unanswered after the White House release of what it styles as a "management review" of the travel office fiasco that unraveled in May. Thomas McLarty, the chief of staff, hoping to contain the scandal, calls his report "complete and thorough."

But his accounting is replete with the "mistakes were made" format of White House dodges of the past. The mistakes, the report insists, were simply bad judgment and inexperience, nothing venal. The report's confessions were delivered almost by stealth on July 2, presumably in hopes that anyone interested in its contents would be safely at the beach. In any event, more than mistakes were made: Misstatements were made and wrongs were committed.

The report commendably concludes that the travel office employees were cashiered without "sensitivity and decency," that assigning a Clinton cousin to replace them "fed the appearance of favoritism" in dishing out a White House perk, and that it was "not a good practice" to give Clinton friend Harry Thomason roaming privileges in the White House and not cut off his interventions for his business associates. But surely more than appearances were involved here. Mr. Clinton's friends and relatives abused their White House access to gain advantages for themselves or for their cronies.

The White House also acquits itself of anything much worse than bad appearances in the abuse of the Federal Bureau of Investigation. The staff summoned an F.B.I. official to bolster insinuations that the travel office, instead of being reshuffled for friends, was under investigation for possible criminality. That maneuver, along with suggestions that the Internal Revenue Service might be called in, didn't just look bad. It *was* bad.

The White House management study says the First Lady inquired about the travel office and was sent a copy of a memo about the impending firings. No one seems to have asked the nature of her interest. The study also says that Bernard Nussbaum, the White House counsel, and two members of his legal staff attended that key meeting with the F.B.I. official. No one asked why Mr. Nussbaum, the in-house ethical watchdog, didn't intervene to stop the obvious pressure on the bureau to make the travel office look crooked as well as inefficient.

The management study concludes that it was wrong to tell reporters that the F.B.I. was probing for criminality but doesn't repent the rest of the White House tale: that the probe of the travel office began as a routine part of Vice President Al Gore's efficiency survey. President Clinton's staff kept giving him that line to sell to the public long after the public had rejected it.

Attorney General Janet Reno may not find criminal abuse of office when she reads this management review. But the Senate Republican leader, Bob Dole, however partisan his impulses, is on the right track to call for a Congressional look at this catalogue of mistakes and deception.

Topics of The Times

A Salisbury Scoop

A great journalist can take the most unpromising subject and turn it into page-one news. An incident in the long career of Harrison Salisbury, who died last week at 84, splendidly makes the point.

Having earned his reputation by covering Stalin's Russia for The New York Times, Mr. Salisbury was summoned home in 1954 to cover local news. In an initiation rite meant to take him down a peg, an editor asked him to write about New York's chronic failure to keep streets and parks clean.

As recounted by Gay Talese, Mr. Salisbury decided to develop this into a major series on trash and garbage. With his usual restless energy, he dug into his subject, discovering that on certain days 9,675 city cleaners collected 16,402 tons of refuse, or four and a half pounds for each New Yorker. He opened his story, inimitably:

"No city in the world comes within ten million dollars of spending what it costs New York each year to keep clean. And no great city of the world, with the possible

ing accurately from Hanoi that Vietnamese civilians were killed by "surgical" American raids.

Whether as reporter or historian, political analyst or editor, Mr. Salisbury made the most of his talents and of the stories he covered.

Reform-as-Usual

Soon after the Republicans took control of the New Jersey Legislature last year, they put a lid on the number of bills that could be debated on any one day — 30 in the Senate, 20 in the Assembly. It was their way of proclaiming reform. Unlike the previous Democratic majorities, they wouldn't try to pass bundles of bills in the closing days of the session with no time for maneuvering.

They forgot that the end-of-session rush is a time-honored maneuver itself, not limited to Democrats. And as the end of the session approaches in Trenton this year, it turns out that the tactic is still honored by New Jersey Republicans. Despite the lid, the Senate recently handled 83 bills one day, and 220 in four days. The Assembly — ... handled 100 in a single day.

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To the Editor:
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(Op-Ed, June 30)
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David S. Broder

THE WASHINGTON POST

Talk Is Not Enough

7/14/93

ASSOCIATED

The man can talk.

Any doubts about President Clinton's ability to hold his own in any conversation should now be ended. By all accounts, his performance in the non-stop discussions at the Tokyo summit of major industrialized countries and his parleys with Russian President Boris Yeltsin and South Korean President Kim Young Sam pleased and impressed his interlocutors.

Clinton's success in the role of talk-show participant came as no surprise. It is one part of his job—maybe the only one—he has mastered. Put this chief executive into any setting where three-by-five cards are barred, where he has to rely on his own understanding of issues and his ability to articulate them, and he will excel.

We saw that in countless television call-in shows during last year's campaign and, most tellingly, in the Richmond "debate" with President Bush and Ross Perot, where Clinton beguiled and dazzled both the questioners in the live audience and those watching on their sets at home. We saw it again at the Little Rock "economic summit" between Election Day and Inauguration Day. And the same skill was demonstrated for a dozen reporters and columnists invited to the White House for lunch with Clinton and Vice President Gore on the eve of the president's departure for his just-completed Far East trip.

The Clinton who was on display there on July 2 was a president brimming with confidence in his own ability. The questions were all about policy—not politics—and the answers were full, knowledgeable and subtly nuanced. He displayed a remarkable grasp of factual detail and an ease in discussing alternative economic theories. Clinton could do big-picture generalization, then switch in the next breath to a sensitive depiction of the economic and political forces operating in particular countries.

Listening to Clinton that day, I was reminded of the "presidential candidate test" big-time Democratic contributor June Degnan applied back in the 1970s, when a wealthy person could almost singlehandedly launch someone into a run for the nomination—or hold him back. Degnan would give each aspirant about a half-hour of her time before deciding whether to make a contribution. "I figure if someone is competent to be president," she told me, "that in that time, he ought to be able to tell me at least one thing I haven't already figured out for myself."

My certainty was that if Clinton had faced the Degnan standard, he would have cleared the bar with lots of room to spare.

And then I walked back from that luncheon to The Post newsroom and was forcibly reminded that in government, as elsewhere, intellect is far from everything. There in the office was the report of the investigation the White House had conducted on the horribly mishandled purge of its own travel office.

The report can be commended for candor. But what it revealed was a saga so shoddy, so saturated with petty manipulations, snooping and spying, rampant cronyism and tacky deceits that it made you cringe. It also confirmed an abuse of the FBI's role—in summoning agents into the situation without even so much as a by-your-leave to the attorney general, and then pressuring them for action—that made you wonder if anyone on that young staff had learned the hard-earned lesson of Watergate. They did not seem to understand that nothing is more dangerous to the Constitution than a political police-state operation directed from the White House.

All the misdeeds were laid out in the report. But nobody was fired. A few reprimands and that was it.

How could that be? How could anyone as surpassingly intelligent as the president I had jus left fail to understand that, in this early stage his administration, it is vital to send a strong message of probity and discipline that cannot misunderstood by anyone working for him.

That is not a question of knowledge. It is a question of judgment. A question, if you will, c character. And ultimately those qualities will c termine the reputation and the record of an ac ministration much more than the IQ of its lead

Of course, it is a good break for the countr that in a time when powerful economic, techr logical and social forces are remaking the nat al and international landscape, we have a pres dent who is capable of absorbing all the data a analyzing the changes that are taking place.

But that will not suffice. It takes leadershir mobilize the will to cope with those forces. A leadership begins in the circle closest to the p ident in the White House itself. This presiden has proved he can talk. Now he must prove h can act—not just with missiles in Baghdad bu with woodshed ministrations in his own office

William Raspberry

Money, Money and Money

The column that prompted the phone call had

special concessions on any number of things—not, as

team and his stock portfolio, made his mor

Democrats Foil Effort for Hill Inquiry on Travel Firings

By Ann Devroy
Washington Post Staff Writer

House Democrats yesterday turned aside a Republican attempt to open a congressional inquiry into the firing of seven White House travel employees, arguing the White House had conducted one probe and that two other inquiries, at the Justice Department and by the General Accounting Office, were sufficient.

At the same time, Senate Minority Leader Robert J. Dole (R-Kan.) asked Attorney General Janet Reno to appoint a special counsel to investigate the matter.

House and Senate Republicans said an internal White House investigation left "serious" questions unanswered, particularly about the extent of White House pressure on the FBI to investigate the travel employees and on the IRS to enter the case.

The House Judiciary Committee recommended by a 20 to 15 vote that a request for an inquiry sent to the full House be defeated. Only Rep. Romano L. Mazzoli (D-Ky.) broke with his fellow Democrats.

The administration worked with committee Democratic leaders to ensure that no independent congressional inquiry would be approved.

President Clinton and the attorney general sent letters pledging that the Justice Department would conduct a thorough probe of the the firings, including the FBI's role and statements of possible criminal acts by the seven employees. Clinton pledged White House cooperation.

A White House "management review" of the incident was highly self-critical. White House Chief of Staff Thomas F. "Mack" McLarty, who was criticized in the report for lax supervision, issued a public apology for the treatment of the employees. He announced that five of the seven who had no financial management roles would be rehired in the White House, and he formally reprimanded four White House staff members for their roles in the affair.

The full House will vote on the inquiry request later this month but both sides expect the effort to fail. The Republicans, nevertheless, are continuing to push for further investigations.

Dole, in a speech on the Senate floor, said the White House firings "demand more than just an apology. They demand a no-holds-barred, independent investigation. Not by employees of the White House. Not by friends of President Clinton."

Dole, recalling the appointment of several special counsels during Republican administrations, said both precedent and fairness were at issue.

He said the White House was stonewalling on release of documents and other relevant information. "While the administration is slapping itself on the wrist with its 'internal review' and its 'sanitized reports,' the American people are slapping themselves on the forehead, wondering what's going on," he said.

Dole and Rep. Henry J. Hyde (R-Ill.) who pushed the issue in the House, raised more questions about IRS involvement.

IRS agents began an unannounced audit of the White House air charter service, UltrAir, only days after the employees were fired. An associate White House counsel had told the FBI the IRS would be called in to investigate if the FBI did not. Both the White House and IRS denied there had been communication on this issue.

The Washington Times

Dole says 'travelgate' merits special counsel

Letter to Reno links Little Rock law firm to affair

By Paul Bedard
THE WASHINGTON TIMES

A1

Senate Minority Leader Bob Dole yesterday leveled new conflict-of-interest charges against White House officials involved in the "travelgate" scandal and repeated his call for a special counsel to investigate.

The Kansas Republican sent a five-page letter to Attorney General Janet Reno that strongly suggests the Clinton White House is covering up cronyism and ethics violations.

Mr. Dole said only an independent investigation of the White House's bungling of its May 19 attempt to reorganize its travel office will clear up "this sorry episode of mistakes, misstatements and downright wrongdoing."

For the first time, Mr. Dole linked Hillary Rodham Clinton's former employer — Little Rock's Rose Law Firm — to the scandal. He charged that the firm represented Little Rock's Worthen Bank, which he said was part-owner of the travel agency hired to replace seven workers ousted from the travel office.

But Gary Smith, Worthen senior vice president, denied the bank had any interest in World Wide Travel. "That's absolutely not true," he said.

Mr. Dole's call for the appointment of a special counsel — separate from ongoing Justice and General Accounting Office (GAO) probes — is the latest attempt by congressional GOP leaders to dig deeper into the scandal, which tarnished the reputations of the seven longtime travel office aides.

The White House and Justice Department had no comment.

Meanwhile, House Republicans yesterday lost their attempt in the Judiciary Committee to win approval for a resolution demanding that the White House surrender dozens of documents detailing the sacking of the office. The 20-15 party-line vote could be reconsidered in the full House under special rules.

"The best way to put this sordid affair behind us is to get all documents in public," said Rep. F. James

see **DOLE,** ***page A8***

DOLE

From page A1

Sensenbrenner Jr., Wisconsin Republican. "There has been stonewalling by the White House."

Democrats argued that Justice and the GAO are already backing up the White House's own investigation into the scandal, but Mr. Dole said those probes are being done by "staff lawyers from the home team."

House and Senate Republicans charged yesterday that White House Chief of Staff Thomas F. "Mack" McLarty's probe into the scandal was a whitewash.

"The White House's internal review of its travelgate scandal only gives more credence to those of us who view the administration's scrambling on this one as little more than damage control," Mr. Dole said of the report released July 2.

The White House probe found that senior White House aides — including the president's cousin, Catherine Cornelius — planned to oust the seven men in charge of the White House travel office — which makes travel arrangements for the media to follow the president on trips — in order to take it over and farm out business to friends.

While the White House report uncovered accounting problems in the travel office, it rejected more serious criminal allegations used by White House officials to oust the seven, who manned the travel office as far back as the Johnson administration.

The four White House officials named in the internal probe — Miss Cornelius; David Watkins, assistant to the president for management and administration; Watkins aide Clarissa Cerda; and Jeff Eller, deputy communications director — were reprimanded for their actions.

The former White House travel aides — first fired and then put on indefinite administrative leave — have not been offered any new positions despite recommendations in the McLarty report.

Their mounting legal costs have prompted a group calling itself "Friends of the White House Travel Office" to issue a second urgent appeal for contributions. "I wish I was writing to say that the nightmare for our friends in the White House travel office is over. Unfortunately that is not the case. ... Our friends need our help now," said organizer Connie Gerrard.

Mr. Dole raised several new and unanswered questions in his letter to Miss Reno and in a speech on the Senate floor yesterday.

Mr. Dole said he wants the special Justice counsel to probe alleged White House pressuring of the FBI to investigate the travel office and the actions of Harry Thomason — a TV producer and Hollywood pal of the Clintons' — to win travel office business for a commercial airline charter business in which he has a one-third ownership.

He also wants the special counsel to determine if White House staffers violated a federal criminal restriction on rewarding political cronies and supporters with government jobs.

"I am more convinced than ever of the need to conduct an independent investigation into the entire travel office affair," Mr. Dole said.

The Washington Times reported last week that congressional Republicans are building a case that Mr. Thomason was a special White House worker for the first month of the Clinton administration and, thus, may have violated federal criminal and ethics rules when he sought to steer travel office business to his firm, Thomason, Richland & Martens.

White House officials said Mr. Thomason was simply acting as a friend when he gave political advice to the president during Mr. Clinton's first month in office.

But Republicans charge that since Mr. Thomason was given a White House pass and was assigned a secretary and office space, he was essentially a "special government employee."

"Some might suggest that Thomason's actions involved an actual conflict of interest, rather than the appearance of one, and that Thomason himself stood to benefit as well, not just his business partner and his friends in the charter business," Mr. Dole said in his letter to Miss Reno.

THE WHITE HOUSE

WASHINGTON

sent + rec'd per Hubbell's Office

93 JUL 14 A8:00

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: WEBB HUBBELL (fax #514-0238)

FROM: JOHN PODESTA
456-2702 (fax #456-2215)

SUBJECT:

DATE: July 14, 1993

Phone Number: **Fax Number:**

NUMBER OF PAGES (including cover sheet): 1

MESSAGE:

If all pages are not received, please call 202/456-2702

THE WHITE HOUSE

WASHINGTON

July 13, 1993

The Honorable Jack Brooks
Chairman
Committee on Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I understand that your Committee will soon be considering a resolution, H. Res. 198, relating to the White House Travel Office. In connection with the pending resolution, you have inquired about what steps the Administration has taken to review decisions and events surrounding the dismissal of seven employees from the White House Travel Office and what actions may be taken in the future.

As you are aware, Chief of Staff Mack McLarty and OMB Director Leon Panetta undertook an intensive review of actions by the White House staff regarding the White House Travel Office. A copy of the Report of that review was provided to you on July 2, 1993.

Mr. McLarty and Mr. Panetta also asked Attorney General Reno to review the report.

The Attorney General asked David Margolis, a career prosecutor, to review the report. Mr. Margolis found that the report was in substance consistent with the FBI's own internal review. The Attorney General also confirmed that no contact occurred between the White House and the IRS concerning this matter.

The Attorney General is in the process of reviewing any matters relating to the Travel Office and you can be assured that the Attorney General will have the Administration's full cooperation in investigating those matters which the Department wishes to review.

Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Cindy Monaco

FROM: Todd Stern

SUBJECT:

DATE:

Phone Number: **Fax Number:** 514-0467

NUMBER OF PAGES (including cover sheet):

MESSAGE:

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WASHINGTON

July 13, 1993

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Committee on Judiciary
House of Representatives
Washington, D.C. 20515

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Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

sent

93 JUL 12 P4:08

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: JON YAROWSKY (fax #225-4550)

FROM: JOHN PODESTA
456-2702

SUBJECT:

DATE:

Phone Number: **Fax Number:**

NUMBER OF PAGES (including cover sheet): 1

MESSAGE:

If all pages are not received, please call 202/456-2702

As you are well aware, Chief of Staff Mack McLarty and OMB Director Leon Panetta undertook a serious, searching review of actions by the White House staff regarding the White House Travel Office. A copy of the Report of that review was provided to you on July 2, 1993.

Mr. McLarty and Mr. Panetta also asked Attorney General Reno to review the report, to confirm its factual accuracy and make any other further recommendations for action she thought appropriate.

The Attorney General asked David Magolis, a career prosecutor to review the report, who found that the report was in substance consistent with the FBI's own internal review. The Attorney General also confirmed that no contact occurred between the White House and the IRS concerning this matter.

The Department of Justice is continuing its review of the Travel Office and you can be assured that the Attorney General will have the White House's full cooperation in investigating any matters the Department wishes to review.

Thank you for your interest.

THE WHITE HOUSE

WASHINGTON

sent 6:35pm 7/13

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

Fax # 225-1958

TO: JON YAROWSKY

FROM: JOHN PODESTA

SUBJECT:

DATE: 07/13/93

Phone Number: 456-2702 **Fax Number:**

NUMBER OF PAGES (including cover sheet): 2

MESSAGE:

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I've asked the Attorney General to review any matters relating to the Travel Office and you can be assured that the Attorney General will have the Administration's full cooperation in investigating those matters the Department wishes to review.

sent
93 JUL 12 P2:14

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Leslie Dach (Fax #371-2858)

FROM: John Podesta
202-456-2702

SUBJECT:

DATE:

Phone Number: **Fax Number:**

NUMBER OF PAGES (including cover sheet): 3

MESSAGE:

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THE WHITE HOUSE

WASHINGTON

July 13, 1993

To the Editor:

Your description of the Management Review that we issued July 2 on the White House Travel Office as "stealthy" and "evasive" (editorial, July 12) is unfair. Your own news coverage of the Report by Thomas Friedman -- "strikingly self-critical" -- is much closer to the mark. Nor was there anything stealthy about the way we released the Report -- it received extensive coverage on all three network newscasts and in scores of other media outlets, including the front page of your own paper. Mr. Friedman described its release as "an extraordinary session of reprimand, self-criticism and confession" in which the two of us "were blunt in admitting mistakes."

The gist of your complaint seems to be that we have "acquit[ted] ourselves of anything much worse than bad appearances." That just isn't so.

For starters, the Report concludes that even though all White House employees serve at the pleasure of the President, the dismissals were unnecessary and insensitive, that the disclosure of the FBI investigation was a mistake, that involving the FBI's head of Public and Congressional Relations in a White House Communication meeting was improper, that reference to using the IRS to investigate the problems in the Travel Office was wrong, and that White House management was lax and insensitive to the appearance of conflicts of interest.

Rather than attributing this to inexperienced junior level staff, as past White Houses have, our review concluded with a public reprimand of an Assistant to the President, an Associate White House Counsel and the Deputy Communications Director. Furthermore, our Report states that the Chief of Staff, along with the White House Counsel's Office had the opportunity to contain the momentum of the incident but did not take advantage of the opportunity. This is hardly the usual "mistakes were made" approach.

Where we do focus on appearances, you have missed our point. Such focus imposes a **higher** standard of conduct. For example, although we found no evidence that the White House prompted the FBI's head of Public and Congressional Relations to say anything inaccurate or inappropriate, we nevertheless condemned the meeting because the White House must uphold the appearance as well as the reality of FBI independence. Similarly, with respect to conflicts, the Report declares that the involvement of people with personal interests in the Travel Office was improper precisely because the federal government's decisions should be "insulate[d] from even the appearance that personal interests have played a role."

Our Report gives a thorough account of what happened in the Travel Office incident. We haven't pulled punches. We have catalogued our mistakes. We have publicly reprimanded those most responsible. We have apologized to those unfairly treated. We have established procedures to ensure that such mistakes don't happen again.

This incident never should have happened the way it did, but we have at least faced up to our mistakes, learned some important lessons, and moved to implement changes. We stand four-square behind our Report.

Thomas F. McLarty

Leon Panetta

THE WHITE HOUSE

WASHINGTON

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93 JUL 14 A8:00

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