Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	re: Personal Data Questionnaire (21 pages)	11/23/1993	b(6)
002. memo	re: Recommended Telephone Call (1 page)	11/22/1993	Personal Misfile

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 2242

FOLDER TITLE:

November 21-27, 1993 [1]

2018-0662-S
rs3077

RESTRICTION CODES

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

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

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE PRESIDENT HAS SEEN
11/24/93 db

THE WHITE HOUSE

WASHINGTON

NOV 21 P4:08

November 21, 1993

Thanks — big opening 4 us.

MEMORANDUM FOR THE PRESIDENT

FROM: Paul Weinstein (DPC)
Paul Dimond (NEC)
Sheryll Cashin (NEC)

SUBJECT: Community development bank and financial institutions legislation

On Sunday, November 21, the House of Representatives adopted your community development bank and financial institutions initiative (H.R. 3474) by voice vote. H.R. 3474 also includes a package of regulatory reforms designed to reduce administrative requirements for insured depository institutions. No significant changes were made in the bill since its passage out of the House Banking Committee on November 10. As you know, the Senate Banking Committee, by a vote of 18 to 1, agreed to similar legislation on September 21. We are hopeful the full Senate will take up this legislation upon its return in January.

cc: Carol Rasco
Bob Rubin

THE PRESIDENT HAS SEEN

[illegible]

THE WHITE HOUSE

WASHINGTON

[illegible] 20 P 1 : 21

November 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: REPRESENTATIVE MARTIN HOKE (R-OH)

Representative Newt Gingrich told me you had agreed to see Representative Hoke to discuss his proposal to permit individual tax deductions for contributions to savings accounts set aside to pay for medical expenses. Mr. Hoke voted against NAFTA, but Mr. Gingrich claims he was available if needed. Do you have an outstanding commitment to see Mr. Hoke?

Yes ✓ No______ Comment______

(Was told
he would vote for
when I agreed to
see him / [illegible]
/ Sure see him

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
11/24/93 db

NOV 19 P8:30

Thanks

MEMORANDUM FOR THE PRESIDENT

FROM: Katie McGinty KM

RE: Follow-up on Letter from Randy Young

DATE: 18 November 1993

In response to the correspondence to you from Randy Young about the lack of a balanced Federal water policy that takes into account the needs of non-western states, I am taking the following actions.

1. I have forwarded the letter to the Assistant Secretary of Interior who is responsible for water issues and the Bureau of Reclamation (Betsy Reike) for her review, and have asked her to begin to look into the substance of the issue. I have also asked her to contact Randy Young directly to discuss it with him.

2. I will be meeting with Betsy and the Interior staff next week to discuss the issue and how we might respond.

3. Following that, I will prepare for you a brief statement of the problem and how we would propose to address it.

Please let me know if there are any additional steps you would want me to pursue.

9124

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 24, 1993

P5: 3

OK 11-24-93

MEMORANDUM FOR JOHN PODESTA

FROM: WILLIAM H. ITOH WI

SUBJECT: Proposed Press Release on President's Meeting with Central American Leaders

Attached at Tab A is a proposed press release on the President's meeting with seven Central American leaders November 30.

Attachment
Tab A Proposed Press Release

cc: Dee Dee Meyers
Donald Steinberg

11/24
No one in Press ofc. Gave original Back to NSC/ Wendy Grey to Randle
S.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release November 24, 1993

STATEMENT BY THE PRESS SECRETARY

The President has invited the seven heads of state and government of Central America to the White House for a breakfast meeting on Tuesday, November 30. The leaders, who have accepted the invitation, are President Alfredo Cristiani of El Salvador, President Guillermo Endara of Panama, President Rafael Leonardo Callejas of Honduras, President Violeta Chamorro of Nicaragua, President Rafael Angel Calderon of Costa Rica, President Ramiro De Leon Carpio of Guatemala and Prime Minister Manuel Esquivel of Belize. The meeting will provide an opportunity for the President and the Central American leaders to advance their common agenda of stimulating sustainable and equitable economic development through trade and investment and promoting peace, democracy and good governance.

# # #

THE PRESIDENT HAS SEEN
11/24/93 dk

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

November 15, 1993

MEMORANDUM FOR ROGER ALTMAN

FROM: Alicia Munnell AHM

SUBJECT: Request for Information from George Stephanopoulos

1) In 1993, according to the Mortgage Bankers Association, 5.4 million Americans have refinanced their homes.

2) Homeowners will save $10 billion this year, according to the Mortgage Bankers Association. $3.5 billion in savings result from refinancings and $6.5 billion from lower rates on adjustable rate loans.

   About one-third of borrowers refinancing did so with 15-year mortgages.

   A homeowner with a $100,000 mortgage who refinances and saves 2 percentage points will save $1700 per year.

3) 14 million families will receive $13 billion in benefits from the EITC in 1993.

   In 1996, when the expanded EITC is fully phased in, 15 million families will receive $26.9 billion in benefits. 7 million childless workers will receive $1.4 billion in benefits.

8/05 use in accomplishments

copy G.S. / mark

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 11/24

TO: Ron Klain

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

per our conversation

[redacted]

[redacted]

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Chron

From the Office of the Chief of Staff

Bill Burton, Policy & Staff Director
Phone: 202/456-6797 Fax: 202/456-2464

Date: 22 Nov '93 Response needed by: 23 Nov '93, 5 P.M.

	Action	FYI		Action	FYI
Joan Baggett			Bernie Nussbaum		
Lee Brown			Leon Panetta		
Bill Daley			Howard Paster		
Rahm Emanuel			John Podesta	X	
Mark Gearan			Jack Quinn		
Kristine Gebbie			Carol Rasco		
David Gergen			Bob Rubin		
Jack Gibbons			Eli Segal		
Marcia Hale			Ricki Seidman		
Alexis Herman			George Stephanopoulos		
Nancy Hernreich			Christine Varney		
Tony Lake			David Watkins		
Bruce Lindsey			Maggie Williams		
Ira Magaziner					
Katie McGinty					
Dee Dee Myers					
Roy Neel					

Remarks: ASAP, We need to know your office's Thanksgiving holiday staffing plans, including who will be in the office Thurs - Sun, who will be on call, & your whereabouts & telephone numbers. Thanks. (by 5 p.M. Tues.)

Response: Bill — I'll be on call Thursday — No office coverage. Paul Richard will be here Fri + Sat.; Shelley Walker will keep office open Fri. Sat. + Sun. I'll also be gone Monday. Paul + Todd will both be here
John

Chron

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

'20 P1:21

November 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: SENATOR KENNEDY

The Senator called this morning to let us know of his intentions to vote for NAFTA.

Later in the conversation he asked me to remember Southbridge (DFAS).

CC: VP
MACK

chron

THE WHITE HOUSE

WASHINGTON

November 23, 1993

Barbara O'Dell
3700 Cantrell Road
Little Rock, Arkansas 72202

Dear Barbara:

Nancy gave me your note about your experience at the McDonald's in Clinton.

It's a great story, and I appreciate your sharing it with us. I knew there was some reason I like McDonald's!

Sincerely,

Bill

Ny -
We need a letter to the McDonalds

Terry — It would be a nice story

THE PRESIDENT HAS SEEN

Dear Nancy,

I had to share this & you may share it with whomever you like.

[redacted]

I was wearing my "Clinton-Gore, Little Rock Staff" sweatshirt when I stopped at the McDonalds in Clinton, AR, on Sunday. Before I could get in line to order, a young man back in the kitchen called out that he liked my shirt. I had to look to see what I had worn before I could say thank you.

About that time the manager asked, "Did you see our picture?" On the huge back wall, alone and beautifully framed,

[redacted]

[redacted]

was the Richard De Spain print of Clinton and Gore in front of the Old State House.

In my travels I get lots of comments because of something I'm wearing or because I'm from Arkansas. These were the most spontaneous remarks I've ever encountered. No qualifications – these people like and believe in Bill Clinton.

I thought it was great!

Sincerely,

November 14, 1993 Barbara O'Neill

[redacted]

[redacted]

O'Neill
3700 Cantrell
LR, AR 72202

[redacted]

[redacted]

[redacted]

chron

[redacted]

cc: 2 announcement
to Laura Tayman to
change address to
P.B. –

[redacted]

[redacted]

RAMSDELL & ASSOCIATES
ATTORNEYS AT LAW
GEORGETOWN SQUARE
1910 EAST BATTLEFIELD
SUITE A
SPRINGFIELD, MISSOURI 65804
TELEPHONE (417) 887-3434

DANIEL T. RAMSDELL

KURT J. LARSON

PARALEGALS:
LINA ARTERBERRY
DEE WAGNER
MICHELLE HOUCK
MARCELYN BUNCH

November 18, 1993

President Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000

THE PRESIDENT HAS SEEN
12-4-93

Dear Mr. President:

Winnie and I want to extend to you and Hillary a hearty and well deserved congratulations on your tremendous NAFTA victory. We know that the United States will benefit from your tireless efforts.

As always, if we can ever be of any service to you in any respect, please don't hesitate to contact us. We hope to hear from you, as time permits.

We look forward to the opportunity to see you and Hillary should your travel plans ever involve the Springfield/Branson area.

Warmest personal regards.

Very truly,

RAMSDELL & ASSOCIATES

By: Dan
Daniel T. Ramsdell

DTR:dw

P.S. We have recently relocated our law offices. An announcement to that effect is enclosed herewith for your future reference. Please note that I am as close to "Georgetown" as Springfield permits. Ha!

DTR

Fax (417) 887-3507

chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 11/23

TO: Bernie Nussbaum
Bruce Lindsey

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

Bernie —
will you take the lead on this. I think a interim response to the members of the subcomm might be in order
John

[redacted]

ONE HUNDRED THIRD CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT OPERATIONS

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

'23 P6:0

November 22, 1993

President Bill Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, DC

Dear Mr. President:

A six-month staff investigation by the Subcommittee on Employment, Housing, and Aviation has uncovered serious flaws in the procedures used by the U.S. Merit Systems Protection Board (Board) to respond to a complaint of discrimination brought by an excepted service employee against Antonio C. Amador, then vice chairman of the Board. Subcommittee staff reviewed the Board's official file on its review of these allegations and interviewed key officials and employees of the Board.

Based on the results of the Subcommittee's investigation, we believe it is appropriate at this time to refer the matter to your Office. We request that a full investigation of the allegations against this official be carried out by an independent, statutory inspector general from another agency, and a determination made of the factual questions involved. Further action, if so indicated by the results of such an investigation, can be considered at that time.

In May of this year, the Subcommittee learned of allegations that Mr. Amador, then vice chairman (and now member) of the Board, sexually harassed an employee[1] (Complainant) on his staff over a

---

[1]The employee, as confidential assistant to Mr. Amador, worked as one of his four staff members from March 11, 1991, until she was fired on February 18, 1993. As a Schedule C political appointee, the employee had none of the usual job protections accorded to career federal employees. However, under Title VII of the Civil Rights Act, it is illegal to fire any employee, including a Schedule C political appointee, based on discriminatory reasons. Dismissal of an employee in response to the employee's filing of an informal complaint is illegal under Title VII.

one-year period both in the office and off federal premises, and summarily fired her after she raised the sexual harassment allegations with an agency equal employment opportunity (EEO) counselor. Although Mr. Amador denied all allegations, the Board resolved the informal complaint through a sealed settlement agreement with the Complainant under which she was reinstated, assigned to a regional office, and received a cash payment of $17,500.

Charges of sexual harassment and retaliatory firing are serious allegations against any presidential appointee, but are even more significant in this case. As one of three Board members, Mr. Amador is responsible for adjudicating appeals of retaliatory firing and sexual harassment cases brought to the Board by federal employees. The allegations against him raise serious questions as to his ability to maintain impartiality in considering such cases.

If true, the charges suggest a breach of public trust by a high-ranking government official, a probable violation of Title VII of the Civil Rights Act, and possible malfeasance in office, one of the grounds for which a member of the Board may be removed from office under 5 U.S.C. 1202(d). Given Mr. Amador's significant position of trust, the charges raise both ethical and legal considerations.

The process by which the Board responded to and settled these allegations was seriously flawed. No investigation of the allegations was done. The agency's pre-complaint counseling process consisted merely of interviews of the Complainant and Mr. Amador, and a review of relevant personnel records. Other potential witnesses to the allegations were not contacted. No findings of fact were made prior to the negotiation of the settlement agreement. The Board's General Counsel, though charged with drafting the settlement agreement, did not review the records of interviews with the Complainant and Mr. Amador prior to negotiating the settlement on the agency's behalf.

Intimidation, fear, and the desire to avoid public disclosure of the allegations pervaded the process. Shortly after the Complainant brought her informal complaint on February 17, 1993,

---

The employee's performance was rated "Outstanding" on February 6, 1992, for which she received a performance award of $1,621. She was promoted from GS-11 to GS-12 on April 5, 1992. And, on February 9, 1993, little more than one week before the employee was fired, Mr. Amador rated her job performance as "Exceeds Fully Successful," and recommended another cash award.

the Complainant's EEO counselor withdrew, stating a fear of intimidation and a desire to remain anonymous. Janice Fritts, the Board's director of the Office of Equal Employment Opportunity, advised then Chairman Daniel R. Levinson that, due to the nature of the allegations and the rank of the accused, intimidation of agency employees who participated in the investigation was a serious risk. Ms. Fritts then assumed responsibility for serving as the employee's EEO counselor.[2]

Ms. Fritts also requested that the Equal Employment Opportunity Commission (EEOC) become involved in investigation at the pre-complaint counseling stage because:

> the counselee in this action is alleging sexual harassment and termination based on sex (female) and reprisal, and the alleged perpetrator of these actions is an agency official at the highest levels in the agency. These facts, combined with the small size of the agency, make it <u>virtually impossible to conduct an in-house counseling and investigation of these allegations in an objective intimidation-free environment.</u>[3] (emphasis added)

The next day, February 24, 1993, after a meeting with Chairman Levinson and General Counsel Llewellyn M. Fischer, Ms. Fritts withdrew her request to EEOC, noting in the EEO Counselor's Report (EEO report) that the Board would handle the matter internally "in order to expedite the counseling process rather than waiting on EEOC." The Board was well aware that if the informal complaint could not be settled within 30 days, the Complainant had the right to then file a formal, recorded complaint.

Chairman Levinson had written to General Counsel Fischer recommending that an outside inspector general be brought in to investigate the matter. No outside investigators were ever called in, however, because Mr. Levinson had also directed his

---

[2] 29 C.F.R. 1614.105 sets out the procedures for the pre-complaint processing of discrimination complaints. In summary, individuals who believe they have been discriminated against on the basis of sex must consult a Counselor prior to filing a complaint. After reviewing relevant documents and interviewing interested parties, the Counselor must prepare an "EEO Counselor's Report."

[3] February 23, 1993, letter to Ronnie Blumenthal, Office of Federal Operations, U.S. Equal Employment Opportunity Commission, from Janice E. Fritts, Director, Office of Equal Employment Opportunity, U.S. Merit Systems Protection Board.

subordinates to take no action without the consensus of the Board members. Mr. Amador did not consent. In effect, Chairman Levinson accorded Mr. Amador veto power concerning an independent investigation[4]. The Board's inspector general was going to interview Mr. Amador, but dropped his inquiry when the general counsel told him the Complainant had been reassigned elsewhere.

Ms. Fritts conducted a preliminary review of the allegations at the pre-complaint counseling stage. Her review of relevant personnel records and interviews with Mr. Amador and the Complainant, while useful, cannot substitute for an independent investigation. Indeed, the EEO report also contains allegations pertaining to racial discrimination by Mr. Amador, which are never addressed.

The chronology that follows is based on documents contained in the agency investigative file, including the EEO Counselor's Report (EEO report), and on interviews conducted by Subcommittee staff.

The EEO report compiled by Ms. Fritts contained information suggesting that Mr. Amador abruptly dismissed the Complainant after he learned that she had taken action to trigger EEO discrimination complaint procedures, as well as a defense by Mr. Amador. Ms. Fritts interviewed Mr. Amador on February 24, 1993, and recorded in the EEO report:

> The Vice Chairman stated that on February 10, Robert Hernandez, his Executive Assistant, said he had talked to [the Complainant]. She was upset and told him that she wasn't going to leave, that the VC was not going to fire her; that if the VC fired her, she was going to file a sexual harassment charge against the VC, unless the VC kept her employed until September. The VC said this shattered all of his trust and confidence in her and <u>he decided to terminate her employment sooner</u> -- that he

---

[4]March 1, 1993, memorandum from Daniel R. Levinson to the agency's General Counsel and Director of EEO states ". . . have the allegations underlying the matter investigated by an Inspector General in another agency. Please make sure that the Vice Chairman knows about this effort, and that Member Parks concurs in the choice of the designated Inspector General." In an interview with Subcommittee counsel, General Counsel Fischer stated that his directions were to proceed only with the consensus of the Members, and since that could not be obtained, he did not make arrangements for an independent IG investigation.

wasn't going to be held hostage. He said that he was amenable to settlement. (emphasis added)

In an interview with Subcommittee staff on November 12, 1993, Mr. Amador said that, despite the superior performance ratings he gave the employee on February 9, 1993, he had lost confidence in her, and therefore, on that same day, he had given her 30 days' notice to find another job. The EEO report notes that on February 10, the Complainant told Mr. Amador's executive assistant that she [the Complainant] was being pressured to leave because of sexual harassment. Mr. Amador told Subcommittee staff that his response upon learning of this conversation was, "No one was going to blackmail me."

On February 17, 1993, the Complainant met with an EEO counselor at the agency, alleging sex discrimination in the form of sexual harassment and naming Mr. Amador as the harasser. By statute, this meeting triggered prescribed Title VII/EEO procedures, beginning with a 30-day period for investigation and pre-complaint counseling.

Around 11:15 a.m. on February 18, 1993, Mr. Amador fired the Complainant. According to the EEO report, Mr. Amador ordered his executive assistant, Robert Hernandez[5], to escort the Complainant out of the office immediately. The Complainant left so quickly that she did not have the opportunity to retrieve her personal belongings. Agency personnel files recorded the employee's involuntary termination on February 19, 1993.

Mr. Amador gave the Complainant notice on February 9 that he would no longer employ her after March 9. Mr. Amador could not recall to Subcommittee staff his reason for having the Complainant physically removed from the office at midday on February 18. One significant intervening event was the Complainant's filing an informal complaint of sexual harassment on February 17.

The Subcommittee makes no judgment as to the validity of the allegations. However, this sequence of events and the EEO report suggest retaliatory firing, which should be investigated to determine if it violated Title VII of the Civil Rights Act. From both a legal and an ethical perspective, violation of Title VII may constitute a breach of trust and malfeasance in office, one of the grounds for removal from office under 5 U.S.C. 1202(d). As then vice chairman of the Merit Systems Protection Board, it is reasonable to expect that Mr. Amador should have foreseen the implications of his action on February 18, 1993.

---

[5]Mr. Hernandez was not interviewed by Janice Fritts.

The severity of the consequences flowing from these allegations, and the information compiled in the EEO report suggesting possible wrongdoing by Mr. Amador, should have prompted the agency to arrange for a more thorough, independent investigation. Instead, the agency closed ranks and rushed to settle the matter within the 30-day, pre-complaint stage prescribed by EEOC regulations. This guaranteed that there would not be a formal, recorded complaint against Mr. Amador.

On March 17, 1993, the Complainant, through her counsel, notified the Board that she would not agree to an extension of the 30-day counseling period. The Complainant requested from the Board a notice of final interview, giving her the right to file a formal discrimination complaint within 15 days after receipt of the notice. On March 18, 1993, the Complainant and the Board entered into a confidential settlement agreement of her informal complaint.

Because there was no formal hearing and determination of the validity of the allegations, the question of whether Mr. Amador sexually harassed the Complainant, and then fired her in retaliation for her making an informal complaint, remains unanswered. Without an independent investigation and a factual determination as to the validity of the allegations, the integrity and impartiality of the agency as an adjudicatory body may be compromised.

The failure of the Board's own IG to investigate these allegations, and the intimidation of agency employees, indicate the need for an independent investigation. Therefore, we suggest that an independent, statutory inspector general carry out a full investigation of the allegations.[6] In the interim, it is essential that Mr. Amador be required to recuse himself from consideration of all cases involving sexual harassment or retaliatory firing.

Due process for the accused in discrimination cases and accountability of high-level agency officials are not mutually

---

[6]The individual charged with conducting a full investigation may wish to interview the following current and former officials and employees of the Board: Daniel R. Levinson, former chairman; Ben Erdreich, chairman; Antonio C. Amador, former vice chairman, now member; Jessica L. Parks, vice-chair; Llewellyn M. Fischer, general counsel; Paul Riegart, Inspector General; Janice E. Fritts, director of the Office of Equal Employment Opportunity; Judy Bowes, confidential assistant to Vice Chair Parks; Evangeline W. Swift, director, Office of Policy and Evaluation; Robert Hernandez, executive assistant to Amador; and the Complainant.

exclusive. This case, however, is an example of inadequacy of the present system when a small agency fails to arrange for an independent, impartial investigation of the allegations against the official, but instead settles the matter with a sealed agreement. Secrecy does nothing to counter the perception that a high-level Administration official -- in one of the federal agencies charged with rooting out discrimination -- fired an employee in retaliation for her filing a complaint of sexual harassment, thus triggering the EEO process, and got away with it.

If your staff has any questions or needs additional information with respect to this referral, please contact Edith Holleman, Subcommittee staff director and counsel, or Andrea Nelson, Subcommittee counsel, at 202/225-6751. Thank you for your attention to this matter.

Respectfully yours,

Tom Lantos
TOM LANTOS

Collin C. Peterson
COLLIN C. PETERSON, Chairman
Subcommittee on Employment, Housing and Aviation

Karen L. Thurman
KAREN L. THURMAN

Floyd H. Flake
FLOYD H. FLAKE

Bobby L. Rush
BOBBY L. RUSH

Barbara-Rose Collins
BARBARA-ROSE COLLINS

Christopher Shays
CHRISTOPHER SHAYS

THE WHITE HOUSE
WASHINGTON

DATE: 11/23/93

NOTE FOR: TOM EPSTEIN

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

Information ☒

Action ☐

Thank you.

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

cc:

Withdrawal/Redaction Marker
Clinton Library

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THE WHITE HOUSE
WASHINGTON

DATE: 11/23/93

NOTE FOR: SECRETARY BENTSEN

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

Information XXXX

Action ☐

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
11.23.93

INFORMATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 17, 1993

'93 NOV 17 P7:14

MEMORANDUM FOR THE PRESIDENT

FROM: Lloyd Bentsen Lu Bentsen

PREPARED BY: Frank Newman
Gene Ludwig

CC: Vice President Gore, Bob Rubin,
Roger Altman, Chris Edley,
Ellen Seidman, and Rick Carnell

Very good

Subject: Consolidation of the Banking Regulatory Agencies

This memorandum follows up on your decision to pursue consolidation of the bank regulatory agencies, discussed in the memorandum to you of October 6, and in our subsequent meeting on banking-related issues. The National Performance Review also identified this consolidation for attention, and a decision was made that Treasury, in coordination with the White House, would develop an appropriate approach.

The timing is now right to pursue this objective with vigor. Frank Newman and Gene Ludwig have conducted considerable analysis of this issue and discussed alternative approaches at some length with the NEC and OMB. In addition, in preparation for testimony Frank has been asked to give to the Senate Banking Committee on November 23, I have reviewed a range of options and tradeoffs, and concluded that the approach to consolidation outlined below represents extremely sound public policy, consistent with the guidance that you provided earlier and with the NPR's drive for more efficient, responsive government. All of the Administration's participants view this as an important opportunity to rationalize the regulatory structure in ways that will be highly beneficial, over the years, for the financial system and for the economy.

Our approach is similar in many respects to the proposal outlined in a November 8 letter to you from Senators Riegle and D'Amato, in their capacities as Chairman and Ranking Minority Members of the Senate Banking Committee, and Rep. Henry Gonzalez, as Chairman of the House Banking Committee. Although there will undoubtedly be some differences of views on Capitol Hill, we expect that the Administration's proposal will be viewed by many in Congress as a sound and meaningful public policy initiative.

This memorandum provides a summary of the approach, for your information, prior to the public testimony on November 23rd. Although the Administration's proposal will not be made public until the testimony, we plan to discuss it in advance with Alan Greenspan. He will likely raise some issues from the Fed's perspective, and it is possible that he may call you to express some concerns, as noted below.

<u>The Federal Banking Commission</u>

The proposal would create a new Federal Banking Commission, as an independent agency in the executive branch, to supervise and regulate all FDIC-insured depository institutions and their holding companies and other affiliates.

- The Commission would have virtually all the depository institution regulatory, examination, and approval functions currently exercised by:
  - the Comptroller of the Currency (national banks);
  - the Federal Reserve Board (bank holding companies, state Fed-member banks, and foreign banks);
  - the Federal Deposit Insurance Corporation (state nonmember banks); and
  - the Office of Thrift Supervision (savings associations and savings and loan holding companies).

The entire OCC and OTS, along with virtually all of the regulatory and examination staff of the Fed and FDIC, would be merged into the new commission, leading to substantial efficiencies.

- The Federal Reserve Board, as the nation's central bank, would continue to conduct monetary policy, administer the payment system, and provide liquidity through its discount window. The Fed would also have the authority to participate with the Commission in examinations of a limited number of institutions most important to the payment system. In addition, the Fed would retain the authority to set standards for and examine compliance with payment system functions at any institution.

- The Federal Deposit Insurance Corporation would continue its historic role of insuring deposits at all federally insured banks and thrifts. It would retain its back-up authority to take enforcement action in extreme situations. The FDIC would also continue to be responsible for resolving failed institutions, including sale of their franchises and assets, and legal actions to seek recoveries on behalf of the insurance funds.

- This proposal would not directly affect the dual (Federal/State) banking system. The states would continue to charter, supervise, and examine state-chartered banks. The Federal Banking Commission would take on the federal oversight role currently performed by the Fed and the FDIC.

<u>The Board of the Federal Banking Commission</u>

The composition of the board is clearly critical, to strike an appropriate balance between objective independence and the need for the Administration to be able to influence banking policy. The Congressional proposals typically lean more towards greater independence from the Administration than we think is appropriate. The Riegle/D'Amato approach calls for a 5-member board with representatives from Treasury and the Fed, plus three other members-appointed by the President and confirmed by the Senate, serving staggered <u>six-year</u> terms--one of whom would serve as chairperson. (These appointments would also have to provide for minority-party representation.)

As the first President to make appointments to such a board, you would appoint all 3 independent commissioners. However, going forward, we believe that this structure would not provide the degree of Administration influence and flexibility that you endorsed in our discussions. Various modifications of this structure could improve it significantly, however, and we are planning to present an approach for a 5-member board along the following lines:

- A chairperson, appointed by the President and confirmed by the Senate, with a <u>four-year</u> term, ending shortly after the start of each presidential term;
- The Secretary of the Treasury or his designee;
- A Federal Reserve Governor;
- Two additional commissioners, appointed by the President and confirmed by the Senate, for staggered four- or five-year terms; one of these members would not be from the President's party.

We believe that these shifts -- especially the four-year term for the chair, in line with the President's term -- will provide sufficient Administration influence over banking policy, while keeping to a minimum the inevitable concerns in Congress regarding the potential for excessive political influence in banking matters. Even though there would no longer be any bank regulators housed in the Treasury Department, the Secretary would be represented on the Commission, and could continue to act as the Administration's principal voice on financial service issues, as well as its principal coordinator on banking and financial matters with the Commission, the Fed, and the FDIC. In addition, our proposal calls for the Secretary of the Treasury (or designee) and the Chair of the Federal Banking Commission to serve on the FDIC Board of Directors, in place of the Comptroller and OTS Director. In line with our previous discussion, it is important for the Administration to stand firm on the principle of effective Presidential influence over bank regulatory policy. Therefore, the length and timing of Presidential appointment of the chairperson will be a critical element of the bill.

<u>The Federal Reserve's Concerns</u>

We have conducted lengthy discussions with Chairman Greenspan and Governor LaWare on various aspects of regulatory consolidation. The Fed Governors have maintained that it is necessary for the Fed to have direct regulatory and examination roles in the banking system, in order to properly conduct their responsibilities for monetary policy and the payment system. They agree that the current regulatory structure is clumsy and inefficient, and should be changed. But they would prefer to see the regulatory responsibilities divided up roughly evenly between the Fed and a banking commission.

As you know, we have excellent working relationships with the Fed; we have tried to deal constructively with their perspectives. But we (and the Riegle/D'Amato/Gonzalez approach) do not see the need or benefit of complicating what should be a vastly simplified new regulatory structure, with a large, overlapping regulatory role for the Fed. Moreover, the Fed's approach would likely be viewed by many in Congress as weak public policy, designed largely around issues of turf rather than efficiency and rationalization.

<u>Chairman Greenspan may call you to express his concerns in this regard</u>. However, we believe that the Fed's role will be amply filled in the new structure by, in addition to their continuing monetary policy authority:

- A seat on the new board;
- access to any bank examination information they request of the new commission;
- participation in examinations of roughly 25 major institutions that the Fed believes are key to the payment system;

- continuing rulemaking and examination authority for activities directly related to the payment system; and

- continuing operation of and authority over the Fedwire --a key element of the payment system--and the discount window, through which financial institutions borrow from the Fed.

(Separately, the Fed continues to face moves by a few key members of Congress to restructure its Federal Open Market Committee. In your response letter to Chairman Gonzalez on that topic, you acknowledged the legitimate public policy questions, but indicated that the Administration saw no compelling need to restructure the FOMC at this time. Your letter has provided important support for the position taken by Chairman Greenspan and the other Fed Governors.)

State Bank Concerns

Although the proposal would not directly affect the dual banking system, you should be aware that some state banks may voice concerns that the proposal will result in increased costs and increased regulatory burdens for them. Increased costs could result if the Commission charges state banks for exams. Neither the Fed nor the FDIC currently charge state banks for examinations, although the Administration's budget proposed the introduction of equitable fees. As this proposal moves forward, we plan to develop appropriate mechanisms for adjusting examination fees, as well as other specific approaches to addressing concerns of state banks and other affected constituencies.

Next Steps

A brief supportive letter from you, in response to Riegle, D'Amato and Gonzalez, would be appropriate, for delivery just before the testimony on Tuesday. (A draft is being prepared for you). In addition, I am preparing an op-ed piece for the **Washington Post,** outlining the public policy benefits of this long overdue rationalization. We will then develop specific legislative language to deliver to Congress after the recess. During that interval, more details, including budgetary treatment and other issues of Administration involvement, will be developed with the interagency team.

Public Policy

This proposal provides the Administration an opportunity to promote strong, constructive change in public policy, on a "high road", with need for relatively little political involvement by the White House. The Administration's approach should:

- provide consistent regulations, policies, and implementation for comparable activities;
- improve the overall efficiency of supervision for both the government and the financial institutions; and
- retain sufficient flexibility to allow appropriate, safe and sound adaptation to changing financial needs of the economy, and for innovation in delivering financial services.

Attachment: Letter from Riegle, D'Amato and Gonzalez

THE PRESIDENT HAS SEEN
11-23-93

Bry
to files
Motion talk
w/ Bill Bradley re APEC
B.

THE WHITE HOUSE

WASHINGTON

Bradley

APEC

- Primarily symbolic
- US Lite ing [illegible] to be [illegible]

Bi-lats more impt

- Both coming off big wins -
- procurement, glass semicon - [illegible]
- TAKOR - get Jap go to UN for blocking of repatriation

BC

~~GS~~ | Bernie

I think there's something to this—B

THE PRESIDENT HAS SEEN

11-23-93

House Approves Funds to Finish Thrift Cleanup

After Dodging Unpopular Issue, Congress Gives RTC $18.3 Billion

By Jerry Knight
Washington Post Staff Writer

Ending an 18-month deadlock over paying to clean up the savings and loan debacle of the 1980s, the House early this morning gave final congressional approval to compromise legislation that would let the Resolution Trust Corp. spend another $18.3 billion to pay off depositors in failed S&Ls.

The 235 to 191 vote sends the bill to President Clinton and his expected signature. Clinton administration officials have told lawmakers that the measure would provide more than enough money to cover the remainder of the cleanup—assuring that Congress will never again have to vote money for the politically unpopular cause. The legislation also extends the life of the RTC.

If the RTC spends the entire $18.3 billion, taxpayers will have spent about $100 billion to pay off depositors in

For the past 18 months, lawmakers found one reason or another not to give the RTC money.

failed savings and loans—the most costly government rescue ever.

Because both Democrats and Republicans wanted to avoid having anything to do with the S&L scandal in an election year, the cleanup has been stalled since April 1992 when the RTC's authorization to spend money expired.

For the past 18 months, lawmakers found one reason or another not to give the RTC money, despite warnings that failure to vote the funds might mean that depositors in some failed thrifts would not be able to get all of their money back.

Last Thursday, House and Senate negotiators settled on a compromise measure. The Senate voted 54 to 45 to ratify the agreement Saturday night.

The compromise would provide the RTC with about $5 billion more than government experts say is likely to be needed. It would give the agency until the end of 1995 to complete the cleanup—two years longer than the job was supposed to take.

The RTC is managing 64 insolvent S&Ls that it does not have the money to close.

The number of thrifts expected to fail in the next two years is small because low interest rates paid to depositors, compared with the rates S&Ls can command for loans, have restored the health of most ailing thrifts.

Scholars Offer Help In Dealing With Sects

Mobile Task Force of Experts Recommended

By Gustav Niebuhr
Washington Post Staff Writer

Seven months after a deadly confrontation between federal law enforcement agencies and the Branch Davidians near Waco, Tex., two scholars of religion said yesterday that academic experts must help law enforcement agencies understand small religious sects if more such violence is to be avoided.

"A task force [of academic experts] must be formed," said J. Philip Arnold, director of the Reunion Institute, a Houston-based religious think tank, who attempted to negotiate with Branch Davidian leader David Koresh through the FBI last spring. The task force, he said later, should be mobile, to respond to the scene of a new confrontation.

Nancy T. Ammerman, an associate professor of sociology of religion at Emory University's Candler School of Theology, called on scholars to "get involved" in teaching law enforcement agencies about new religious movements.

"We can't wait for the next crisis," said Ammerman, who advised the Justice Department after the Waco incident.

Arnold and Ammerman offered their suggestions at a panel discussion on the Waco siege that drew a largely academic crowd of more than 200 persons at the Omni Shoreham Hotel. The event was sponsored by the American Academy of Religion (AAR), a professional society holding its annual meeting here in conjunction with another group, the Society of Biblical Literature. More than 6,500 scholars are attending the joint meeting.

The Waco confrontation began Feb. 28 with a shootout between agents of the Bureau of Alcohol, Tobacco and Firearms and the Davidians at the latter's Mount Carmel headquarters, causing the deaths of four agents and at least two Davidians. The FBI then joined the siege, which ended April 19 in a catastrophic fire that killed 77 Davidians after federal agents battered holes in the headquarters building to spray tear gas inside.

Another scholar on the panel, James D. Tabor, an associate professor of religious studies at the University of North Carolina at Charlotte, roundly criticized the FBI and ATF for their April 19 assault, which he said cut short promising negotiations with Koresh.

The tragedy "shouldn't have happened. It wasn't necessary," said Tabor, who had joined Arnold in attempting to reason with Koresh through intermediaries, using Koresh's biblical views in trying to persuade him to surrender.

Tabor displayed a copy of a letter Koresh wrote to his lawyer on April 14, in which Koresh said he would finish writing his analysis of passages in the Bible's Book of Revelation "as soon as possible," and would then "stand before man to answer any and all questions regarding my actions."

"We were within a few days or a week of getting him out," Tabor said.

Arnold said his proposed task force should be composed of AAR members and ought to sit down with federal law enforcement officials to analyze thoroughly the events at Waco. In response to a question afterward, he said the task force should also be "set up to rush to the occasion" of a crisis.

After Waco, Ammerman was one of three religion scholars asked by the Justice Department to recommend ways to improve law enforcement methods for dealing with small, new religious groups.

In her research, she said she found that the FBI's behavioral science unit provided accurate information on Koresh, warning that the Branch Davidians would only pull together if put under pressure. But she said that advice was not heeded by agents on the front lines, who had little training in behavioral science. The FBI showed "a lack of religious sensibility" at Waco, she said.

Ammerman said the FBI was deluged by calls from would-be experts, giving conflicting ideas on dealing with Koresh. "They had everybody in the world who thought they knew anything about the Book of Revelation offering them advice," she said. "They simply had no prior experience dealing with the religious studies community" and were unable to sort out who the legitimate experts were.

Occasionally, Ammerman said, police have phoned her for advice in dealing with individuals or groups with unusual religious beliefs.

"My instinct in the past has been to stay as far away from that call as possible," she said. "But I'm not sure that would be my reaction after [Waco]."

UG

Tony - for files

talk w/
Hank Greenberg
on AIG re meeting
w/ Jiang on way
to APEC — for files

B

THE WHITE HOUSE

THE PRESIDENT HAS SEEN

11.23.93

THE WHITE HOUSE
WASHINGTON

Greenberg

Tsang Temin Lin
V. relaxed
looking forward
speech on econ, bus.
areas of common int
work on areas of diff
~~[illegible]~~
deal on trade, prolif
press —
V. Min. V. position

=

human rts V. culture
not static — private talks v.
public statements will go a
long way — quiet dialogue

=

will submit in 2 wks —
human rights but
start of dialogue

=

China KEY to Asia
policy —

November 23, 1993 '93 NOV 23 P12:24

MEMORANDUM FOR JOHN D. PODESTA

FROM TERRY W. GOOD TWG

RE: PRESIDENTIAL LETTER ON TECHNOLOGY REINVESTMENT PROJECT

We have received word that there is to be a mailing to all Governors, Senators and Congressmen on this matter.

We have received some of the letters already. See attached sample.

A copy of a draft version indicates that you have approved this letter. See attached copy.

Salutations on some of the letters are first name, others are "Governor . . ." I expect that this format will be followed for the Senators and Congressmen.

Should we follow our general rule for signing these:

"Bill" for the first name salutations for governors, Senators and Congressmen,
"Bill Clinton" for the "titled" salutations for governors, Senators and Congressmen.

✓ FOLLOW THE GENERAL RULE

____ SIGN ALL "BILL CLINTON"

____ SIGN ALL "BILL"

____ OTHER OPTION DESCRIBED BELOW

THE WHITE HOUSE

WASHINGTON

November 23, 1993

Dear Mike:

We have selected a new set of 55 projects, as set forth on the attached list, to receive federal matching funds under the Technology Reinvestment Project. Final funding negotiations between the Department of Defense and the selected project teams will begin immediately.

First announced in March of this year, the TRP will create jobs by encouraging the development and deployment of "dual-use" technologies for commercial and defense needs in the post-Cold War economy. The competition for $472 million in matching grants elicited more than 2800 proposals -- requesting a total of $8.5 billion -- from teams of companies, universities, and state and local governments throughout the country.

This group of grants, the second to be announced, will fund projects in the technology deployment category of the TRP. Projects in this category include manufacturing extension programs and other mechanisms to deploy existing technology and "best practices" to small firms. Many of these projects build on strong state-sponsored programs designed to help small- and medium-sized defense firms.

The projects announced today account for approximately one-quarter of the available TRP grant funds. In early December, my Administration will make additional announcements concerning winning projects in all three TRP categories -- technology development, technology deployment, and manufacturing education. I look forward to continuing to work with you to make this very important program a success.

Sincerely,

The Honorable Michael Sullivan
Governor of Wyoming
Cheyenne, Wyoming 82002

This letter has been approved by Podesta's office

DRAFT LETTER OF NOTIFICATION FOR 11/24 TRP ANNOUNCEMENT

November ~~21~~ 23, 1993

Dear Senator/Congressman/Governor:

I am pleased to inform you that we have selected a ~~a~~ new set of 55 projects as set forth on the attached list ~~have been selected~~ to receive federal matching funds under the Technology Reinvestment Project ~~(see attached list)~~. Final funding negotiations between the Department of Defense and the selected project teams will begin immediately.

First announced in March of this year, the TRP will create jobs by encouraging the development and deployment of "dual-use" technologies for commercial and defense needs in the post-Cold War economy. The competition for $472 million in matching grants elicited more than 2800 proposals -- requesting a total of $8.5 billion -- from teams of companies, universities, and state and local governments throughout the country.

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The projects announced today account for approximately one-quarter of the available TRP grant funds. In early December, my Administration will make additional announcements ~~will be made~~ concerning winning projects in all three TRP categories -- technology development, technology deployment, and manufacturing education. I look forward to continuing to work with you to make this very important program a success.

Sincerely,

ok JPD - per NSC, JP+TS have cleared

Jim -

Lynn brought this by. It needs to go out to all of the above - it will take all day. Please clear off on this a.s.a.p.

Paul Weeger X 7989

NSC

Thanks

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 11/23

NOTE FOR: Howard

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

Information ☑

Action ☐

Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
11/23/93

Howard
I don't care
get him
WJC

M E M O R A N D U M

TO: THE PRESIDENT

FROM: Betty Currie

RE: PHONE CALL FROM CONG. STEVE BUYER, R-IN

DATE: NOVEMBER 16, 1993

CONG. BUYER CALLED AND ASKED TO BE PUT ON YOUR CALL LIST. HOWARD PASTER IS CALLING TO GET NATURE OF THE CALL.

Chron

[redacted]

THE WHITE HOUSE

WASHINGTON

November 18, 1993

The Honorable Leonard H.O. Spearman
Apartment 43 I
2207 South Braeswood
Houston, Texas 77030

Dear Leonard:

Thanks for your letter and for sending the photographs from my visit to Texas Southern University. It was kind of you to think of me in such a nice way.

I deeply appreciate your service to the nation, not just during the early months of my Administration but throughout the preceding years. You have a great deal to be proud of, and I thank you for your hard work.

Sincerely,

Bill Clinton

[redacted]

cc: BL

— Shd we consider him for Amb if we need quality BRZ — and check out how he did — B

Trey

FROM THE DESK OF
Ambassador Leonard H.O. Spearman

Apartment 43 I
2207 S. Braeswood
Houston, Texas 77030

November 5, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President,

As you work to convince the nation of the need for a comprehensive health program, I thought you might want to reflect on earlier less demanding times. These photos were taken during your visit with us in Houston when I served as President of Texas Southern University.

Since then, I was honored to serve as Ambassador to the Republic of Rwanda (1988-90) and to the Kingdom of Lesotho (1991-93). While I had the honor to represent you in Lesotho for only three months before recall, I can only say I was deeply honored to be able to have been your envoy for even so short a time.

We know that these will be difficult times for you as you provide leadership to our complex nation. Yet, we can take comfort in the realization that there have been no easy times for any generation in our history. That is the burden and the challenge that makes for America's greatness.

May God continue to give you courage in your efforts to maintain our nation's strength. Most of us, including me, are still willing to work to assure that our country will be what it ought to be.

With Deep Appreciation,

Leonard H.O. Spearman

Enclosures

To Leonard Spearman with best wishes Bill Clinton

chron

THE WHITE HOUSE
WASHINGTON

DATE: 11/23

NOTE FOR: Mack

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

Information ☐

Action ☑

Thank you.

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

cc:

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

NORMAN D. DICKS
WASHINGTON, SIXTH DISTRICT

November 17, 1993

Dear Mr. President:

I thoroughly enjoyed the chance to visit with you while watching Sidwell Friends complete their undefeated football season.

In preparation to your trip to Seattle for the APEC Conference I want to bring to your attention an issue of tremendous importance for the Puget Sound region.

The Department of Defense is currently giving serious review to acquisition of commercially derived aircraft to meet our critical airlift requirements. Undersecretary of Defense John Deutch last week visited Boeing facilities in Seattle with me to review the potential to utilize 747 and 767s for this mission. We are optimistic that a decision on this issue from the Department will be coming shortly, and the Congress has provided funding to initiate such a program.

I sincerely believe this is an opportunity to provide the nation with cost effective military assets while at the same time providing important work that can help avoid further employment reductions in the Puget Sound area.

I have provided background information on the issue to your staff and hope that you will be able to give this matter your personal attention.

Sincerely,

Norm

NORM DICKS
Member of Congress

NDD:tlf

The President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500

PS: This is very important to me.

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 11/23

NOTE FOR: Bruce Reed

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

Information ☑

Action ☐

Thank you.

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

cc:

CHR

THE WHITE HOUSE

WASHINGTON 93 NOV 12 P6:32

November 12, 1993

THE PRESIDENT HAS SEEN
11/23/93 db

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: House Republican Welfare Reform Plan

Earlier this week, House Republicans announced their welfare reform plan, which is based on your campaign pledge to require welfare recipients to work after 2 years. A summary is attached.

I. Elements of the Plan

The Republican plan includes the following major provisions:

1. Work: Requires AFDC recipients to work at the end of two years. Provides $10 billion over 5 years to states to set up CWEP work programs. Phased in over 10 years, starting with 30% of new applicants in 1995. Gives states the option to drop recipients after 3 years in the work program (and a total of 5 years on AFDC). Also requires fathers of children on AFDC to pay child support or take part in a work program.

2. Parental Responsibility: Requires mothers to identify the father in order to qualify for welfare benefits. Requires teen mothers to live at home. Prohibits additional benefits for additional children born while on welfare. Includes other incentives for school attendance, immunization, parenting classes.

3. How to Pay for It: The Republicans raise about $10 billion by eliminating SSI and other welfare benefits (except emergency Medicaid) for most non–citizens. They raise another $20+ billion by capping entitlement programs (EITC, AFDC, SSI, Section 8 housing, Food Stamps) at inflation plus 2% -- and by cutting all food and nutrition programs (Food Stamps, WIC, etc.) by 5% and block granting the money to the states. These measures allow them to spend $2 billion on training and $10 billion on work programs, and still claim $21 billion in deficit reduction over 5 years.

II. Pros and Cons

We intend to welcome the Republicans' contribution to the debate, applaud their emphasis on work, responsibility, and your two-year time limit, and pledge a bipartisan effort to pass a welfare reform plan.

If asked, we will express some concerns about the entitlement cap -- it's ridiculous to cap a powerful work incentive like the EITC -- and the across-the-board cut in nutrition programs. We expect the NGA and even some Republican governors to criticize this apparent effort to shift the burden of welfare spending onto the states. We think it's unrealistic to claim that welfare reform can lead to massive deficit reduction in the short run. The Republican plan also doesn't do as much as it could to improve child support collection, or to provide employment and training services to support people in work.

But there is much in the Republican plan that we can work with. We are considering recommending many of the same parental responsibility measures for our own plan, such as requiring mothers to name the father in order to qualify for benefits and no longer giving welfare benefits to teenagers who want to live on their own. The Republican work program is a serious, $10 billion effort to provide community service jobs -- and they phase in the program at a reasonable pace.

In fact, if they dropped the entitlement cap and block grant provisions, the Republicans would still have a revenue-neutral plan that invests $12 billion over 5 years -- which is not a bad starting point for the debate.

The Administration's welfare reform working group has just completed a series of regional hearings in California, Tennessee, Chicago, and New Jersey. We will present a series of options to you next month for consideration in the FY95 budget, and develop legislation for introduction early next year.

SUMMARY OF WELFARE REFORM LEGISLATION SPONSORED BY HOUSE REPUBLICANS
Fall, 1993

I. ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE

CAUSE 1: NONWORK

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare during 8 years or more

THE SOLUTION: MANDATORY WORK

- When fully implemented, the Republican bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits; mothers do not lose their benefits if they work in community or private sector jobs arranged by the state
- Mothers must use the first 2 years on AFDC (less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job within that 2 years, they must participate in a community work job in order to continue receiving welfare benefits
- Provides states with an additional $10 billion to provide welfare mothers with employment services, including day care
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers applying for welfare must participate in a job search program while their application is being processed
- Fathers of children on welfare who do not pay child support must also participate in work programs
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

CAUSE 2: ILLEGITIMACY

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock -- and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS

- All mothers applying for welfare must identify the father or they will not receive benefits
- After identifying the father, mothers receive a reduced benefit until paternity is legally established
- Mothers who are minors must live at their parent's home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff penalties
- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 18 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work

(OVER)

II. SLASHES WELFARE FOR NONCITIZENS

THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS

- Hundreds of thousands of noncitizens are added to the nation's welfare programs each year
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

THE SOLUTION: STOP WELFARE FOR NONCITIZENS

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 75 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

III. EMPHASIZES PARENTAL RESPONSIBILITY

- Requires mothers who are minors to live at their parent's home
- Requires states, in most cases, to stop welfare payments to unmarried parents under age 18
- Requires states to terminate the cash welfare benefits of families that do not have their preschool children immunized
- Encourage states to reduce the cash welfare benefit of families that do not assure that their children attend school regularly
- Allows states to require AFDC parents to participate in parenting classes and classes on money management
- Allows states to discourage parents from moving to a new school district during the school year

IV. ATTACKS SEVERAL ADDITIONAL WELFARE PROBLEMS

- Requires adults applying for welfare to engage in job search before their benefits start
- Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- Converts 10 major food programs into a block grant that provides states with almost complete discretion over spending; funding for the programs is reduced by 5%
- Caps spending on Supplemental Security Income, Aid to Families with Dependent Children, Food Stamps, Public and Section 8 Housing, and the Earned Income Tax Credit to inflation plus 2% per year
- Provides states with much greater control over means-tested programs so they can coordinate and streamline welfare spending
- Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- Allows states and local housing authorities to use more generous income disregard rules to promote work incentives
- Requires addicted recipients of Supplemental Security Income benefits to submit to drug testing; ends SSI benefits for those testing positive for illegal drugs

V. ACCOMPLISHES ALL THE ABOVE IN A BILL THAT REDUCES THE DEFICIT BY $20 BILLION OVER 5 YEARS

- The training and mandatory work provisions of the bill cost nearly $12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about $31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost $20 billion over 5 years.

chron

THE PRESIDENT HAS SEEN
11-22-93

THE WHITE HOUSE

WASHINGTON

NOV 21 P

November 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD G. PASTER HP

SUBJECT: LETTERS FROM MEMBERS OF CONGRESS

Attached are letters from members that I thought you would like to see.

1) Jack Brooks (D-TX),
2) Ike Skelton (D-MO),
3) Bill Brewster (D-OK), cc Mack (Brewster
4) Larry Pressler (R-SD),
5) Amo Houghton (R-NY).

[redacted]

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

BILL K. BREWSTER
3RD DISTRICT
OKLAHOMA

November 18, 1993

President William J. Clinton
Attn: Greetings Office
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

Congratulations on a resounding legislative victory. I appreciate your willingness to work with me and other Members of Congress to ensure that American workers and industries would be protected under NAFTA.

I want to take this opportunity to commend two especially valuable members of your team, Mack McLarty and Bill Burton. Their responsiveness in addressing concerns raised by Members of Congress was a key element in last night's success. I particularly appreciate Mack and Bill's thorough follow-up in resolving issues that I raised.

Best regards and have a happy Thanksgiving Holiday.

Sincerely,

Bill K. Brewster

Bill K. Brewster
Member of Congress

[redacted]

BB/pr

Plan for Welfare Limits Questioned About Its Own

By JASON DePARLE
Special to The New York Times

MEMPHIS — The President's emissaries have been out meeting the poor in a New Jersey welfare office, a Chicago public housing project and a decrepit Tennessee shack, among other places.

After tours of ghettos and 40 hours of public hearings on the welfare system, several pictures are coming into focus. One is of great human need. Another is of a potential political revolt.

Dozens of representatives from the social services agencies attended the hearings to argue that the key to reform was more: more job training programs, more day care centers, better housing and higher benefits.

"Recognize low-income people as potential entrepreneurs," suggested one witness at a recent hearing. Another praised something called "high-touch, high-tech, participatory experiential learning."

But virtually none of the social workers had a kind word for the idea that President Clinton made a centerpiece of his promises to overhaul welfare: imposing a two-year limit on benefits.

'Good Sound Bites'

"It's ridiculous," said Larry Farmer, who runs a community development corporation in Greenville, Miss. He predicted it might even cause violent protest, adding, "It's a farce. It might make for good sound bites, but it's out to lunch."

Four months of hearings in five cities underscored the difficulty of fashioning a plan stern enough to satisfy angry taxpayers without provoking a rebellion among traditional Democratic constituencies.

"I always thought striking that balance was going to be very challenging," said Andrew Cuomo, an assistant housing secretary who is a member of the 32-member working group appointed by the President in July to propose legislation to overhaul of the welfare system. The legislation is expected to go to Congress early next year.

2 Years — and Then?

President Clinton has repeatedly advertised his support for time limits, a stand that won him votes in last year's election. But he has not yet specified what he means: two years, then what?

The leaders of the working group clearly envision some sort of program in which welfare recipients can continue to get benefits in exchange for service to a public or private employer. But beyond that, the vision is fuzzy.

What kinds of jobs? What will they pay? Will teen-age mothers be exempted so they can finish high school? Will the work-for-benefits program be allowed to go on forever?

Mary Jo Bane, one of three officials leading the working group, emphasized the importance of insuring there would be work for people who want it and exemptions for people with disabilities, child care crises or other severe problems.

What happens after two years of welfare benefits end?

No Clear-Cut Strategy

By contrast, Republican officials in Wisconsin are inaugurating a time-limit experiment in two counties that simply drops people from the rolls at the end of two years. And House Republicans have proposed a plan that would let every state drop clients who have been on the rolls for five years.

Would a Clinton time-limit plan also allow aid, at some point, to simply expire? It depends on which of the 32 working group members you ask.

David T. Ellwood, a co-chairman of the working group, all but ruled out such a plan, calling it "extremely unlikely."

But Bruce Reed, a working group co-chairman said, "I don't have an answer for you on that yet."

And Avis Lavelle, an assistant secretary of Health and Human Services who sits on the working group, said, "We haven't ruled that out."

One working group member, speaking on the condition of anonymity, argued the Administration was being hemmed in.

"It sounds good, 'Up and out,'" the member said. "But 'up and out' where? Where does the child care come from? Where does the job that pays the wage that allows the family to become self-sufficient come from? I think that people now realize we have a real problem with this."

Frightening and Lasting Images

The hearings were motivated in part by a desire to avoid the accusations of excessive secrecy that hounded those drafting the Administration's health plan.

But the accompanying visits to welfare offices and homes of welfare recipients also seem to have had a personal impact on some of the working group members. As the Nov. 9 hearing in Memphis came to a close, several recalled the rural misery they had witnessed on a tour the day before.

Ms. Lavelle described a visit to a dispirited woman in western Tennessee's Fayette County, who lived in a flimsy shed with little heat and with sewage pipes that emptied into her backyard. "The conditions were so abject there, it made me want to cry," she said. "No heating — just one stove."

"Open pipe to the backyard!" said Kathryn Way, a White House aide

Several working group members said they found it hard to imagine any Government reform that could bring self sufficiency to such an isolated and undereducated woman.

The images they used to describe welfare recipients were altogether different from those employed by Republicans, when they unveiled their time-limit plan on Nov. 10.

Contrasting Plans

As the Memphis hearing came to a close, for instance, Mr. Ellwood talked about "the great courage of folks" who raise their families while enduring the hardships of poverty.

By contrast, the Republicans stressed what they saw as moral failings. "Some women on welfare are more consumed by the feeding of their drug habit than the gut instinct to feed their children," said Representative Nancy Johnson of Connecticut.

Research by Mr. Ellwood has shown that about half the people who begin taking welfare already leave within two years. But any number of interruptions can quickly bring them back on the rolls: a sick baby, a broken car, a plant layoff, a problem with a baby sitter.

When repeated stays are taken into account, he found that about a third of the people who first enroll on welfare end up receiving aid for eight or more years.

The Administration is trying to make it easier for recipients to hold jobs on their own, and thus avoid the time limits altogether.

It has won a large increase in refundable tax credits for low-wage workers, in effect boosting their wages. It is seeking universal health coverage, so that people who leave the welfare rolls will not lose access to medical care. And the working group is likely to put more money into the kind of job training programs and day care centers that advocates desire.

Still, a record five million families now receive welfare, and some suffer from daunting physical and emotional problems. One estimate prepared for the Administration argued that as many as three million families might still be on the rolls after two years.

The hearings have echoed with angst as to what might befall them.

"We are implacably opposed to time-limiting the welfare system," Linda R. Wolf Jones of the Community Service Society of New York said at an August hearing in Washington.

John M. Bouman of the Legal Assistance Foundation of Chicago said at an August hearing there, "We think the issue of time limits is a dangerous one."

And Linda O'Neal of the Tennessee Commission on Children and Youth warned: "Two years is simply not long enough to enable these recipients to develop the skill levels needed to maintain employment. Some will never be able to be self sufficient."

THE PRESIDENT HAS SEEN
11/23/93 db

15

Carol
good stuff — worrying

Chron

chron

White House Memo

Scholars' Advice and New Campaign Help the President Hit His Old Stride

By THOMAS L. FRIEDMAN

Special to The New York Times

WASHINGTON, Nov. 16 — On the evening of Friday, Nov. 5, with commentators grumbling about a White House in disarray, with a crucial trade vote looming, and with the overdue health care legislation still in draft form, President Clinton invited a dozen scholars to his home to pick apart his Presidency and help him set things right.

The group of political scientists, intellectuals and Presidential scholars, like Richard Neustadt of Harvard and William Julius Wilson of the University of Chicago, gathered in the White House dining room. According to participants, it was a no-holds-barred session, with the President taking notes on the back of his dinner menu.

The sociologists hammered on the importance of jobs to restore structure and discipline in the lives of black youths. From the political theorists came the message that the Clinton Presidency still lacked broad, unifying themes and that Mr. Clinton had to articulate more clearly the larger moral purposes of his Presidency.

That, the group agreed, meant making the point that the crime issue is not only about fear of physical violence but also about the disintegration of the moral tissue that ties communities together. On the North American Free Trade Agreement, it meant stressing that the pact was not just about trade and tariffs, or even jobs, but about America's willingness and ability to tackle the future with confidence.

Rising Above Frustration

From the Presidential historians came the argument that the Mr. Clinton had to get used to being frustrated: Washington may be mean, the press may be cynical, but the President had to rise above it and refuse to be immobilized by it. He should regard his Presidency not just as a series of legislative contests, they said, but as a pulpit from which to exercise moral leadership.

"The dinner was important," said his top political adviser, George Stephanopoulos.

Ever since then, Mr. Clinton seems to have been hell-bent to reinvigorate his Presidency. Indeed, Mr. Clinton's almost obsessive campaign to secure passage of the North American Free Trade Agreement, coupled with his impassioned speech to black leaders about crime last week in Memphis, seems to have brought him brought him back to some of the core themes that separated him from other Democratic candidates and helped him to get elected.

It is not surprising that Mr. Clinton seems to be rediscovering his voice thanks to the heat of the campaign over Nafta, which has pitted the President against a large, old-line segment of his own party: organized labor.

Throughout the election campaign last year he always seemed at his most pointed, and always most clearly defining of his own political identity, when doing combat with traditional Democrats. Whether it was preaching tolerance to orthodox Jews in Brooklyn, or nonviolence to supporters of Sister Souljah, or the virtues of the trade agreement to the A.F.L.-C.I.O., before the Michigan primary it worked, however calculated the sermon may have been.

But those themes at times seemed to get lost or overwhelmed by other issues in the first year of the Clinton Presidency. Homosexuals in the military, the budget fights, Lani Guinier, stops and starts on health care, Somalia — they all seemed to drown them out.

Old Democrats Vs. New

Now, in the last few weeks, partly by accident, partly by design, the President has returned to them with vigor. The passion with which he spoke in recent days seemed to remind not only the public, but also Mr. Clinton himself, of what his Presidency was supposed to be about.

What Mr. Clinton has done in his speech on crime and in his fight for the agreement on free trade with Mexico and Canada, said Al From, chairman of the Democratic Leadership Council, "is remind people about what exactly are the differences between new and old Democrats."

"Both believe in progressive programs," Mr. From said in an interview today, "but the new Democrats emphasize family, responsibility, work and reciprocal obligation — because without reinforcing those values, you can't make progressive programs and policies popular with the wider public."

On the trade agreement, Mr. From said, "three quarters of the Democratic caucus believe Clinton is right, but they are afraid to vote yes."

"Winning on that vote tells them you can be for Nafta, you can go against the old infrastructure of the party and win," he added. "It is an important fault line. If he wins on Nafta the next such fight on something like this will be no contest."

After only tentatively supporting the accord during the campaign, Mr. Clinton has made it an all-consuming issue. He complained to a group of visitors the other day that his ear hurt from talking on the telephone all week to members of Congress.

Representative Henry B. Gonzalez, the Texas Democrat who heads the House Banking Committee, said Mr. Clinton was campaigning harder for the free-trade pact than any President had pushed a bill in a dozen years. "I haven't seen anything like this since the 1981 tax cut," he said, referring to Ronald Reagan's legislation.

The Symbolic Messages

What is it about the trade accord that has so engaged Mr. Clinton?

"This debate has become so emotional," Labor Secretary Robert B. Reich said in an interview. "Because Nafta is a symbol of the almost subliminal debate going on in the American psyche about whether our kids

A Democrat who is at his best challenging other Democrats.

will live better than we are. Whether we should put up walls and try to protect what we have or embrace change in hopes that it will lead to something better.

"If this country has had a core icon it was upward mobility — the notion that your kids will live better than you will. It was the moral equivalent of the frontier in the 19th century. After 15 years of dwindling incomes and then the end of the cold war there is a real sense of, 'Where are we going? What is our national character? Where are our borders? Should we embrace the rest of the the world or build walls?'"

Throughout the first year, Mr. Clinton's core defining issues "got overwhelmed," his political adviser Mr. Stephanopoulos acknowledged. That he is now getting back to that core is partly due to what his dinner guests and others have told him: that he has to stop engaging in issue proliferation. In part, it is also because he has gotten through the budget fight and survived a series of self-inflicted stumbles that dominated public discourse.

"It is sort of like the compulsories in figure skating," said Mr. Stephanopoulos, adding that now "he" feels freer to speak about some of the broader themes that were the free style competition the audience was waiting for all along."

The question now is whether Mr. Clinton can sustain it. A lot will depend on tomorrow's vote and the momentum that will flow from it. But a lot will also depend on his ability and willingness to take command, define the issues his way, and not allow a cluttered agenda to again overwhelm his own voice.

THE PRESIDENT HAS SEEN
11/23/93 dh

CS — [illegible]

THE NEW YORK TIMES, WEDNESDAY, NOVEMBER 17, 1993

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 11/22

NOTE FOR: George Mark Gergen

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

Information ☑

Action ☐

Thank you.

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

[redacted]

cc:

GREER, MARGOLIS, MITCHELL, BURNS
GMMB&A
& ASSOCIATES, INC.

THE PRESIDENT HAS SEEN
11/23/93 dh

MEMORANDUM

To: President Clinton

From: Frank Greer

Re: Image

Date: 10/28/93

cc: Mark Gearan
David Gergen

I recently spent a week working with the ANC in South Africa. Without the distraction of the Washington Post and the New York Times, my only source of news was to watch CNN every day. As a result, I'm convinced that your problem is not substance or program or politics. Your problem is much more an image problem.

You are not coming across as Presidential. One of the first memos I wrote to you in the campaign was about closing the stature gap - looking more serious (including no crazy ties) - more mature - more Presidential. When you do, as with the Somalia Oval Office Address - it works - it builds confidence, it adds authority, and gives the nation a sense of leadership. But when you give an important press conference in your sweaty jogging clothes about developments in Haiti, it sends the wrong message. You diminish the office, and you diminish your support and authority. Also, I would use the symbols of the office to build your stature.

I'm told that the staff believes you want to avoid the symbols of the Presidency. I believe that's a mistake. Use Air Force One - use "Hail to the Chief" - always be announced as the President. America knows you are a caring, compassionate, down-to-earth kind of guy, but they want a President they can look up to - not a smart policy wonk that lives next door.

I would be glad to help plan and stage events for a while to try and improve the image we are projecting. For example, having a lot of bored, white male Congressmen behind you in Statuary Hall for the health care announcement was all wrong.

1010 Wisconsin Avenue, NW • Suite 800 • Washington, DC 20007 • (202) 338-8700 • FAX (202) 338-2334
11111 Santa Monica Blvd • Suite 1750 • Los Angeles, CA 90025 • (310) 444-0445 • FAX (310) 444-0447

Less Is More

I noted you recently met with Richard Reeves and discussed his book on JFK. One important lesson from that book is how limited JFK's public appearances were (mainly because he was so ill most of the time). But by being less accessible and by carefully presenting each occasion to demonstrate strength and vision, he built a terrific Presidential image.

Instead, you are constantly available to the press - sometimes two, three, or four times a day. You can't seem to resist answering questions at every photo-op. The result is over-exposure - no clear message, no sense of what is really important.

You need to be seen less, and we should carefully plan and present each occasion in a way that will build an image of maturity, strength, and leadership.

Bottom line is - I believe you are doing a great job on substance, but you are losing public support because of the image that is being projected.

I'll be glad to help in any way I can.

Chron

LOUIS F. OBERDORFER
1423 KIRBY ROAD
McLEAN, VIRGINIA 22101

THE PRESIDENT HAS SEEN
11/23/93

November 16, 1993

The President and Mrs. Clinton
The White House
Washington, D.C. 20500-2000

Dear Mr. President and Mrs. Clinton:

The Yale Law Journal issue for October included several tributes to Justice Byron White on the occasion of his retirement. I thought you might like to see my contribution to the issue: "Justice White and the Yale Legal Realists."

You will note that within a few months of his appointment in 1962, Justice White announced to his new colleagues that he was "unwilling to sweep . . . under the rug" the "festering problem" of crime. See Reprint at 13-14. Here we are over 30 years later; it is still festering and worse.

In casting about for ways to address crime problems (beyond the pending legislation), it occurs to me that you might want to consider something like the Wilkersham Commission appointed by President Hoover in 1929 to study and report on the enforcement of the Prohibition laws and law enforcement generally. Its comprehensive Reports are models for work of that kind. H.R. No. 252, 71st Cong., 2d Sess. and H.R. No. 722, 71st Cong. 3d Sess.

In addition to all the legislation and other ad hoc proposals now under consideration, you might want to consider appointing another Commission, chaired by someone like Justice White, to make a similar comprehensive study of violent crime and programs that can contain it.

Sincerely yours,

Louis Oberdorfer

Enclosure

cc: GS/Gergen/BR

[redacted]

THE WHITE HOUSE

WASHINGTON

November 18, 1993

Louis F. Oberdorfer
1423 Kirby Road
McLean, Virginia 22101

Dear Louis:

Thanks for your letter and for sending the monograph your wrote about Justice White for the Yale Law Journal. I appreciate your sharing it with me.

I also appreciate your suggestion of a commission to study possible solutions to the serious problem of violent crime in our nation. Your counsel, as always, means a lot to me.

Sincerely,

Bill

(It's a good idea
Thanks —

[redacted]

Chron
11/23/93
dh

Rubin

What's the deal on the Pension reform?

B.

THE PRESIDENT HAS SEEN
11/23/93 db

Military, Civilian Pension Plans Come Up Short by $1 Trillion

PENSIONS, From A1

risk to federal workers that the government won't be around in the future to continue making pension payments each year.

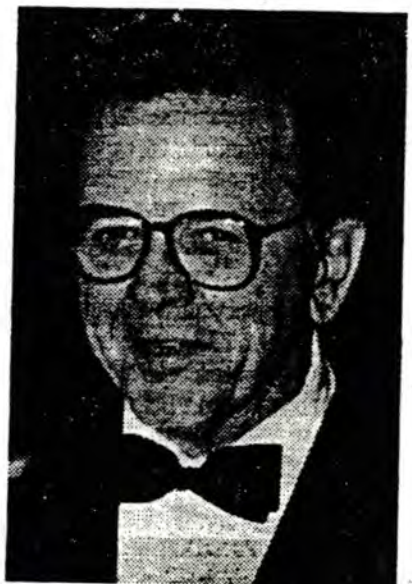
But federal employees could face reductions in cost-of-living allowances (COLAs) and other pension benefits. A budget-conscious Congress recently has considered raising the federal minimum retirement age and trimming inflation-linked increases. And as the annual cost of federal pensions grows over the years, experts said, it will force Congress to choose between cutting the benefits or finding the money elsewhere through budget cuts, tax increases or an increased federal deficit.

"The unfunded liabilities are setting up a situation of jeopardy for the federal retiree," Salisbury said. "I'm not afraid the government won't be here to make the payment. I'm afraid they won't make the payment even though they are here."

Curt Smith, associate director of the Office of Personnel Management, agreed that federal workers face the risk of having pension benefits trimmed. "Federal employees will never be subject to the wholesale destruction of pension benefits we have seen when some companies go under," Smith said. "But federal employees are more vulnerable to erosion."

John Sturdivant, president of the American Federation of Government Employees, said politicians eager to cut the budget deficit have been unfairly using pension underfunding as an excuse to trim federal employee benefits. He said the union would work to defeat members of Congress who vote in favor of pension cuts.

Federal employee unions have defeated or deflected many attempts to slash pensions, but they have not been altogether successful. Last week, a measure in the House budget package to raise the retirement age for federal employees was altered so that it would apply only to new hires.



SEN. TED STEVENS
. . . a reduced shortfall is possible

Federal and military pensions also are a target because they typically are more generous than those paid in the private sector, experts said.

When Labor Secretary Robert Reich unveiled the Clinton administration's legislative solution to corporate pension underfunding this fall, he was asked about the federal employee pension problems. Reich said it was a problem that would be examined, but the administration has not announced any plans to tackle the issue.

Instead, the administration's focus has been on improving pension funding in the private sector and bolstering the federal Pension Benefit Guaranty Corp. (PBGC). The PBGC takes over pension plans when companies go out of business, paying employee benefits up to $29,250 a year. The PBGC has enough cash to continue paying benefits for years, but its multibillion-dollar losses are mounting.

Figures to be released by the end of the year will show that the PBGC insures corporate and union pensions plans with aggregate underfunding in excess of $50 billion. Some members of Congress have warned that the PBGC may someday require a taxpayer bailout, but many of those who have analyzed the federal pension system say its more than $1 trillion in underfunding will cost taxpayers much more over the years.

Sen. Ted Stevens (R.-Alaska), who played a central role in 1980s revisions to the civil service retirement program, said he thinks the underfunding may turn out less than expected because people will choose to retire at older ages.

The underfunding in the federal plans would be much larger today without the changes a decade ago. Since then, newly-hired federal employees participate in the Federal Employees Retirement System, which is less generous and more fiscally sound than the old federal civil service pension plan. The military pension plan formerly operated completely on a "pay-as-you-go" basis with no advance funding.

Ed Hustead, senior vice president of Washington-based Hay Huggins Co., a benefits consulting firm, said the changes improved the federal pension plans and gave them a more solid foundation.

But numerous other experts who have examined the funding methods used in the government plans said they conceal the size of the growing pension liability without actually setting aside funds that offer retirees benefit security. And despite efforts to put the federal plans on a sounder basis, experts said the underfunding has gotten worse because of annual COLAs.

"We have got a real nightmare facing us in not too many years down the road as we try to finance a very expensive retirement program when there is really no money coming in to pay the bills," said Rep. Timothy J. Penny (D.-Minn.). "I think COLAs are bad public policy. When you automatically inflation-adjust the budget and guarantee half the budget a cost-of-living increase, it is a formula for a growing deficit. It is unsustainable."

THE PRESIDENT HAS SEEN
11/23/93

Clinton Renews Anti-Crime Theme in Los Angeles

By Ruth Marcus
Washington Post Staff Writer

LOS ANGELES, Nov. 21—President Clinton today took his campaign against crime to a Catholic church in a Hispanic neighborhood here, this time invoking the memories of Hispanic labor leader Cesar Chavez along with Catholics John F. and Robert F. Kennedy to decry the state of American society.

Eight days ago, speaking to black church leaders in Memphis at the site of the Rev. Martin Luther King Jr.'s last speech, Clinton asked what the slain civil rights leader would have thought had he remained alive to witness the wave of crime and violence sweeping the country today.

Today, before an audience at Our Lady Help of Christians parochial school here, Clinton picked up that theme again. He cited a front-page story in today's Los Angeles Times about a 2-year-old girl killed nearby in what police said was the crossfire between two gangs, one of which allegedly included her mother.

"Our disregard for life in this country is seen coast to coast," Clinton said. In middle-class Pasadena, "which used to have a very different sort of image, they are gripped, haunted by the thought that three children were killed on Halloween—teenagers."

What, Clinton asked, reworking the point he had made about King, would Chavez have thought about such violence?

"Think how horrified he would be, God rest his soul, if he were still here today to pick up the paper and read about the 2-year-old child being killed," the president said. "He was a devotee of nonviolence and self-sacrifice, not violence and self-indulgence."

Clinton also noted that Monday will be the 30th anniversary of the assassination of "our nation's only Roman Catholic president," John F. Kennedy.

"Think how he would feel after having spent his time as president reaching out to Latin America . . . trying to help improve opportunities for Americans, to think of all the horrible things . . . happening to our young people in this country," Clinton said.

"Think about how Robert Kennedy, who flew to California and helped Chavez break a 26-day fast, would feel here today."

Chavez, Robert Kennedy and their supporters "marched so that these children could have opportunity, not danger. And we have to give it to them," Clinton said to applause.

Clinton said that Senate passage of the crime bill, which will help pay for 100,000 new police officers, and the Brady bill, which imposes a five-day waiting period on handgun purchases, are positive steps but that ultimately government cannot provide the solution.

"All these things will help, but in the end, my fellow Americans, we have to take our communities back—community by community, neighborhood by neighborhood, block by block, family by family, child by child," he said.

Clinton traveled to California on his way back from a meeting with Asian leaders in Seattle, stopping in San Francisco Saturday night for a fund-raiser for Sen. Dianne Feinstein (D) and then heading here for the church event and a meeting with survivors of the recent fires.

As Clinton pointedly noted in his speech here, this is his seventh trip as president to California, a state that gave him 54 electoral votes last year and will be critical to his reelection.

A1

Government Has Massive Pension Fund Shortfall

Military, Civilian Plans Lack $1 Trillion

By David A. Vise
Washington Post Staff Writer

While the federal government has pressured corporations to fully fund their pension plans, it has allowed the retirement programs for federal civilian and military employees to become underfunded by more than $1 trillion.

The shortfall in these government pension plans has remained largely hidden, experts said, even though it poses risks to taxpayers and federal workers. Although the pensions have been promised, the $1 trillion in underfunding is a taxpayer obligation that is not reflected in federal deficit figures.

"It is huge," said Dallas Salisbury, president of the Washington-based Employee Benefit Research Institute. "There is a burden being left for future taxpayers. Shouldn't taxpayers be protected from hidden promises?"

The government today will release its annual list of the nation's worst pension offenders, putting the spotlight on 50 companies that have promised employees billions of dollars more in pensions than they have set aside to pay for them. The Clinton administration recently submitted legislation that would force companies to beef up their pension plans, and Congress has held numerous hearings on the issue.

But no similar effort is being made to deal with federal pension problems, provoking the ire of those who see a double standard.

"This is a typical example of how Congress imposes these requirements on the private sector but doesn't do the same for itself," said Jim Kaitz, vice president of the Washington-based Financial Executives Institute.

"It is hypocritical," added Sid Taylor, research director of the National Taxpayers Union, who described federal pensions as "an awesome liability facing the American taxpayer."

The cost of paying civil service and military pensions this year is projected at $62.6 billion, making it one of the larger federal entitlement programs in the budget.

Despite the lack of adequate advance funding, there is virtually no

See PENSIONS, A10, Col. 2

chron
11/23/93 db

THE PRESIDENT HAS SEEN
11/23/93 db

Mack/Tony
Do we need
to revisit this?
or at least discuss?
B.

THE WALL STREET JOURNAL MONDAY, NOVEMBER 22, 1993

THE PRESIDENT HAS SEEN
11/23/93... db

CIA Tells Clinton He Could Face a Crisis In Cuba if 'Serious Instability' Develops

WASHINGTON INSIGHT

By CARLA ANNE ROBBINS
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Central Intelligence Agency has warned President Clinton that he could face a major crisis in Cuba "virtually at any time."

In a classified "National Intelligence Estimate" issued in August, the CIA warns that with the Cuban economy in free fall, "tensions and uncertainties . . . are so acute that significant miscalculations by [Cuban leader Fidel] Castro, a deterioration of his health or plotting in the military could provoke regime-threatening instability at virtually any time."

The report goes on to say that Mr. Castro can be expected to use "whatever force necessary" to hold on to power "even at the risk of a blood bath" and that even if he is overthrown, "the new era will be marred by retributory and other violence."

"Serious instability" on the island, the report concludes, would have "an immediate impact" on the U.S., causing from 20,000 to 80,000 or more Cubans to flee to the U.S. and spurring demands for American military intervention.

Despite this grim news, Mr. Clinton, like his predecessors, seems more concerned about the electoral politics of Florida than with heading off a foreign-policy crisis 90 miles farther south.

As a candidate, Mr. Clinton won cash and kudos from the conservative Cuban-American community when he pledged to tighten the economic embargo on Cuba. He has no intention of breaking that pledge now, aides say, especially with Mr. Castro so clearly on the ropes and Mr. Clinton's foreign-policy plate so obviously full.

Lifting the embargo is by no means the only policy choice available to the president. But his politically skittish advisers seem to have little will to try anything else that might lower tensions and help promote a peaceful transition at the cost of infuriating the powerful Cuba lobby. "The political climate right now is: Don't take any chances," says one frustrated U.S. official.

There are plenty of new ideas percolating elsewhere, including inside the Cuban-American community.

A new Cuban-exile organization called Cambio Cubano, or Cuban Change, which is headed by a former political prisoner with impeccable anti-Castro credentials, has called for loosening the embargo in exchange for economic and political reforms. Another group, the Cuban Committee for Democracy, is opening an office in Washington to lobby for an end to what they call the U.S. policy of "isolation and strangulation."

"If there is to be a peaceful change in Cuba, there must be political dialogue" between Mr. Castro and his opponents, says the committee's president, Marcelino Miyares. The U.S. "should use whatever means it has" to promote that dialogue.

In a new study for the 20th Century Fund, analyst Gillian Gunn calls for the U.S. to encourage political change on the island by softening its rhetoric and seeking closer contacts with a new generation of potentially reform-minded Cubans. Lifting the embargo would come only if Mr. Castro makes serious political reforms.

Even conservative commentators William Ratliff of the Hoover Institution and former Reagan aide Roger Fontaine have called on the administration to lift the economic embargo while refusing any political contact with Mr. Castro's regime. Lifting the embargo would lower tensions and "rob [Mr. Castro] of his American scapegoat and blunt his image," they wrote in a June opinion article in the Washington Post.

Inside the intelligence community, there also is a growing view that lifting the embargo might weaken Mr. Castro politically, while doing little to ameliorate Cuba's desperate economic straits.

U.S. officials and conservative Cuban-Americans believe otherwise. At the same time, officials insist that they aren't — in the words of one — "completely brain dead" when it comes to Cuba. National Security Adviser Anthony Lake has met twice with other top officials to discuss alternative policies in Cuba. And officials who have been around for more than one administration say they are being encouraged to think more freely about Cuba.

But they admit that achieving even a modest change in policy would require a considerable stretch, particularly because the president's political advisers are hoping to win Florida in 1996 and see Cuban-Americans as a critical swing vote.

In the meantime, the administration is making contingency plans for how to cope with a massive flow of refugees should violence erupt on the island. "Basically, what we are doing is waiting for a disaster to happen so we can react," says one official. If the CIA is right, Mr. Clinton may not have to wait too long.

THE WHITE HOUSE
WASHINGTON

DATE: 11/22

NOTE FOR: Bruce Reed, George, Gene, Mark

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

Information ☑

Action ☐

Bruce — will you follow up

John

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
11-22-93

THE WHITE HOUSE

WASHINGTON

November 10, 1993

NOV 10 P1:23

You have making of a good approach here - put together Reed & Cathy's - have a meeting on where to go from here

MEMORANDUM FOR THE PRESIDENT

FROM: **BRUCE REED**
JOSE CERDA III

SUBJECT: OPTIONS TO ADDRESS GUN VIOLENCE

In the wake of recent congressional progress on the Brady Bill and assault weapons, we have prepared an overview of further measures you may wish to consider to address gun violence. In the short run, we urge you to keep the focus on the measures we are still fighting to pass: the Brady bill, an assault weapons ban, and the Kohl bill to ban handgun for minors.

Moreover, it remains important not to suggest that gun control, by itself, is an adequate response to the Nation's crime problem. To break the epidemic of violence, we must emphasize the need not only for fewer guns, but also for more police, more boot camps and state prisons, a criminal justice system that protects those who play by the rules and punishes those who don't, and a society that expects parents to take responsibility for their children and citizens to take responsibility for their actions.

For your information, tomorrow the Treasury Department will send to you the Federal Firearms Licensing report ordered by the directive you signed in August. The report will outline what actions ATF has taken and intends to take in the near future to comply with your directive. ATF staff has indicated that they will not publicly release the document because they expect resistance from the NRA, and would prefer to fight these issues on a case-by-case basis -- as opposed to pre-releasing their "playbook".

10/20 haven't seen yet

I. Executive Actions

A. Ban the Street Sweeper and other Combat Shotguns

In 1984, ATF banned the importation of the Street Sweeper/Striker 12 shotgun, which was designed in South Africa as a military, security and anti-terrorist weapon. In 1988, ATF banned the USAS-12, a similar combat shotgun. Both of these weapons are now domestically produced and would be banned as part of the Feinstein-DeConcini-Metzenbaum assault weapons ban.

In September of this year, Handgun Control petitioned ATF to classify these domestically produced combat shotguns as "destructive devices" subject to the restrictions and controls in the National Firearms Act (NFA). ATF assembled a working group to study this proposal and recently concluded that it can, in fact, restrict these shotguns as "destructive devices." The Agency is now deciding on implementation procedures for this re-classification, which we could announce any time soon.

Good! Let me know.

B. Surplus Military Firearms

While much attention has been paid to the importation of assault pistols, there has been little focus on a new and potentially more serious problem -- the importation of large numbers of surplus military rifles and handguns from Eastern Bloc countries and China.

Prior to 1968 the United States was the dumping ground for millions of surplus military firearms and other cheaply made and inexpensive firearms. The Gun Control Act of 1968 (GCA) banned the importation of firearms unless they met the sporting purposes test, and the importation of surplus military firearms was banned altogether. In 1984, Congress weakened the GCA to allow the importation of surplus military firearms that qualify as curios and relics. At the time, the amendment's sponsor, Senator Dole, argued that this change to the GCA would apply to only a small number of firearms.

Until recently, the curio and relic exception had been a minor problem. Not only was it illegal to import surplus military firearms between 1969 and 1984, but the Arms Export Control Act (AECA) prohibited the importation of rifles and handguns -- of any type -- from virtually all communist countries. However, after the passage of Dole's 1984 amendment, the importation of surplus military firearms started to increase, and their prices started to drop. The opening up of trade with Eastern European countries has made millions of World War II era firearms eligible for importation into the United States -- mostly bolt action or fixed magazine semiautomatic rifles and semiautomatic handguns. With the breakup of the former Soviet Union, most former European communist countries have been removed from the list of restricted countries under the AECA. So has China. ATF estimates that in this year alone, some 95,000 surplus military firearms have been imported into the United States, the number of firearms that could enter the country under already existing importation permits has jumped into the hundreds of thousands, and the prices of these weapons has dropped to or below their pre-1969 levels.

In addition, the State Department's relaxing of the AECA has resulted in the increased importation of cheap -- but powerful -- handguns that do not technically classify as military surplus firearms. The Chinese are exporting large quantities of semiautomatic pistols used by their military forces -- most of which sell for less than $100. This year, some 25,000 of these handguns have been imported and importation permits covering as many as 100,000 are pending.

You have two non-legislative options to address this problem. First, you could direct ATF to change the regulations on curio and relic classification. Curios and relics are defined by law to mean firearms of interest to collectors which are (a) 50 years old, (b) certified by museum directors to be of interest, or (c) of value because they are novel and are associated with some historical figure, period or event. At the rate these arms are being imported, they can no longer be regarded as collectors items.

Should go (in the other)

Ordering ATF to amend these regulations would require a 90-day comment period -- and would not address the problem of inexpensive handguns. As an alternative, you could order the State Department to suspend the importation of these weapons under the AECA. Under this statute you have broad authority to control the importation of firearms in furtherance of world peace, security and the foreign policy of the United States. Our State Department is not on the record on this issue, but we expect that they would need to review the foreign policy implications of limiting trade with the former Soviet Union and China.

II. Non-Controversial Legislative Options

Once the crime bill and the Brady Bill have passed Congress, the Administration could offer a gun violence package that might include any of the following measures, which are relatively non-controversial. We can also continue to push an assault weapons ban until both houses of Congress agree.

A. Federal Firearms Licensing Reform

Must do

The Administration has already committed to federal firearms licensing (FFL) reform. The Vice President's National Performance Review called for legislation raising the basic $10 FFL fee to cover actual costs, and Lee Brown's Interim Drug Strategy called for an increase in the basic FFL fee as well as for putting a stop to the practice of allowing gun dealers with FFLs to circumvent state and local gun laws. More recently, you stressed the need for FFL reforms during your meeting with Jim and Sarah Brady.

Consider limit to 1 mo. by reg.?

The presidential directive you signed in August called for tougher enforcement of compliance requirements under present law -- such as by improving background checks on prospective dealers, requiring dealers to obtain more reliable identification from purchasers, and scrutinizing multiple handgun sales reports. These reforms were long overdue. To date, ATF has licensed approximately 284,000 gun dealers, and new applications come in at the rate of approximately 60,000 a year. The policies of previous Administrations and congressional action to weaken ATF's enforcement authority over guns have prevented the agency from doing all that it can to address the issue of gun proliferation and violence. Additionally, the $10 FFL fee does not even come close to covering the cost of processing and investigating FFL applications -- in fact, it costs less to get an FFL than to join the NRA.

Senators Simon and Moynihan have introduced legislation to reform gun dealer licensing (Moynihan's bill also includes his proposed bullet tax, which is discussed later in this memorandum). Generally, proposed FFL reform would do the following: (1) raise the basic fee from $10 per year to $750 per year; (2) require dealers to certify that they are in compliance with state and local laws; (3) drop the 45-day requirement for action on FFL applications; (4) allow ATF to investigate a dealer more than once a year if necessary; (5) require dealers to report a shortage in a firearm shipment, or lost or stolen inventory to ATF; (6) require dealers to comply with ATF firearms trace requests; and (7) require common carriers to obtain identification from individuals who receive a firearm shipment.

Although Senator Biden has asked Democratic Senators to keep gun legislation off the crime bill, Senator Simon may offer his FFL reforms -- perhaps without the basic fee increase --as an amendment to the crime bill. Simon's staff has been negotiating with the Republican staff and the NRA -- who want this issue to go away -- but no deal has been struck. Earlier this year, Simon offered his FFL reforms as an amendment to the Treasury appropriations bill and lost by a large margin.

Did not
on the other

B. Armor-Piercing Bullets

Last spring, the Department of Defense considered importing a new bullet, the M39B, but decided against this action after the Attorney General and the White House asked them to reconsider. Police groups had visited with you and expressed concern that DOD's use of the M39B would result in black market availability of this new armor-piercing bullet.

Under current law, ammunition that can be used in a handgun and whose cores are made entirely from one or more of a list of prohibited materials -- including tungsten alloys, steel, iron, brass, bronze, beryllium copper, or depleted uranium -- are defined as armor-piercing and are thus prohibited. But the 9mm caliber M39B has a conventional lead core and relies on a steel metal jacket that constitutes a disproportionate amount of the total bullet's weight to penetrate soft body armor. ATF studied the M39B bullet, comparing it to 20 other conventional full metal jacket bullets, and discovered that while the average handgun bullet's jacket rarely constituted more than 23 percent of its total weight, the M39B's jacket comprised almost half (40.5 percent) of its total weight. You should not let this loophole in the ban on armor-piercing bullets go unaddressed.

The FBI and ATF are promoting two different solutions to the problem. ATF has suggested banning handgun bullets whose jackets have a weight of more than 25 percent of the total bullet weight. This is the easiest and least controversial way of addressing the problem. The FBI has advocated a much more ambitious -- <u>but controversial</u> -- approach: developing a performance standard that would ban all armor-piercing bullets. This proposal has the advantage of covering not only the M39B, but other armor-piercing bullets that might get around the ban in the future. Either approach requires legislation.

C. High-Capacity Ammunition Feeding Devices

To ensure that criminals are not better armed than our police we need to ban not only assault weapons, but the high-capacity ammunition feeding devices that preclude the need to re-load these weapons. Your Crime and Drugs campaign position paper supported such a ban, and it should be part of any assault weapons ban that you support.

Last Congress, Representative Schumer attached a ban on ammunition clips with more than 7 rounds to the crime bill during committee consideration. The number 7 represented the least stringent ban imposed by any state that had acted to limit the number of rounds in a clip. However, this ban was deleted from the bill by the same amendment that struck the assault weapons ban. This year, Senator Metzenbaum and Representative Schumer have included a ban on clips with more than 10 rounds as part of their assault weapons legislation -- the same language is also included in the Feinstein-DeConcini-Metzenbaum amendment currently being considered by the Senate.

D. Disability Relief and Definition of State Conviction

Federal law prohibits convicted felons from possessing firearms. However, they may apply to ATF for disability relief, which restores their gun rights. ATF spends about $4 million a year on investigations to grant relief. In a number of cases over the years, these people who got their gun rights back went on to commit and be convicted of other crimes. Last year and this year, Representative Schumer and others succeeded in defunding this provisions. We can continue to defund this provision on a year-to-year basis or amend the Gun Control Act (GCA) to terminate this program.

A definitional issue also arises as to what constitutes a state felony conviction for purposes of Federal law. More specifically, when can a person become "unconvicted" under state law and, therefore, ineligible for prosecution under Federal law for possessing a firearm. To deal with this issue, Representative Schumer has also advanced legislation that would permanently preclude anyone convicted of a violent or drug felony from possessing a firearm, and would restore gun rights for other offenders only if the state did a complete background check and investigation, and decided it was in the best interest of the public to do so.

Perm. legis to defund, Chair DeConcini

E. Machine Gun Replacement Parts

The possession and sale of machine guns made after 1986 is banned by Federal law. Machine guns bought and sold after that date can still be bought and sold, but they must be registered and are taxed pursuant to the National Firearms Act (NFA).

This machine gun ban can be circumvented, however, by purchasing machine gun replacement parts and using them to convert semiautomatic assault weapons into fully automatic weapons. Although it is also illegal to sell or possess parts designed "solely" to convert a weapon into a machine gun, there are no limits on the sale or possession of replacement parts for a machine gun. It is believed that the Branch Davidians were able to accumulate more than 100 machine guns as a result of this loophole.

Good

Narrow legislative language requiring that machine gun replacement parts be sold only to buyers who have an NFA license should close this loophole.

III. Controversial Legislative Options

A multitude of other more controversial gun violence proposals are worth considering, but will require a lengthier public education campaign to pass.

A. Restricting Multiple Gun Purchases

Some gun advocates would like to build on their victory in Virginia last year limiting gun purchases to one a month. They believe such a restriction is a simple, common sense idea that can be easily sold to the American public and want to push for a similar federal restriction on multiple gun purchases -- perhaps one gun per visit, if not one a month. However, the NRA strongly opposed Governor Wilder's efforts to pass this legislation and succeeded in watering it down. We can expect them to fight us on similar legislation at the federal level.

B. Gun License to Demonstrate Proficiency

worth exploring

The Attorney General and others have spoken about the need for a uniform firearms license that is awarded only to those who go through some type of firearms training and who demonstrate proficiency in handling a firearm. We don't let just anyone who can buy a car drive one -- why should we let anyone who is eligible to buy a gun use it. Although such a proposal makes intuitive sense, this is an ambitious proposal that would take considerable effort and time to develop and pass legislation.

C. Ban All Handguns

Handguns are the firearm most often used in crime, and many members of Congress and gun control advocates have argued that -- if you really want to get serious about gun violence -- all handguns and/or their ammunition should be banned or banned unless they meet a "sporting purposes" test. Local units of government that have enacted such controls have had their actions upheld by the Supreme Court. Recently, you were asked about your position on Senator Chafee's handgun ban and replied that it may be too broad. A handgun ban would extremely controversial.

D. Expand the Category of Persons Prohibited From Possessing a Firearm

Representative Torrecelli recently introduced legislation expanding the category of persons prohibited from possessing a firearm to include persons with a history of domestic violence and those currently under a restraining order. This proposal makes much sense and may not be as controversial as some of the other gun options listed here. But it may be too soon to gauge the level of support or opposition for this measure.

E. Bullet/Gun Tax

Current law provides for an excise tax of 10 percent on pistols and revolvers and 11 percent for other firearms and ammunition. These receipts, which totaled $164 million last year, are earmarked for the Pitman–Robertson Wildlife Restoration Act and do not get deposited in the General Revenue Fund.

Many gun control advocates have called for a sharp increase in the tax on guns, arguing that gun taxes should be treated just as any other "sin tax," and that revenues raised by a gun tax could help offset the costs of gun violence on our health care system. We believe this issue is best addressed in the context of how to finance health care reform.

Senator Moynihan has made a separate, but powerful, argument for the need to increase the tax on handgun ammunition. He has promoted legislation to raise the existing tax on selected calibers of handgun ammunition to 1,000 percent and to impose recordkeeping requirements with respect to the disposition of ammunition by dealers. (He has previously proposed an outright ban on this ammunition.) Moynihan's argument for such a tax increase is based on the premise that we can't realistically control the estimated 200 million firearms on the street today, but that we can control the supply of ammunition for these guns through taxation. A narrow ban on specific forms of handgun ammunition may be feasible, although still a tough political battle.

Need a new
could we use
to build the
magazine ban

ATF has mixed feelings about this proposal, and they have reconvened their National Firearms Strategy Panel to further examine the Senator's proposal. They hope to make recommendations to the Director of ATF at the end of November, and we have asked that they share their analysis with Domestic Policy.

F. Strict Liability for Gun Violence

Some gun control proponents have advocated legislation that would allow people who are injured by firearms to sue gun manufacturers and importers for damages in federal court. The District of Columbia passed legislation imposing strict liability on assault weapons, but gun control opponents in the Congress succeeded in repealing this law.

G. Consumer Product Safety Commission

Senator Metzenbaum has proposed legislation to authorize the Commission to regulate the risk of injury associated with firearms. Although this legislation very clearly makes the philosophical statement that gun violence should be treated as a greater public safety issue, it would be extremely controversial and is sure to cause disagreement within the Executive Branch.