George S.
fyi
John P.

U.S. DEPARTMENT OF STATE
Office of the Assistant Secretary/Spokesman

For Immediate Release February 2, 1994

SUMMARY OF FINDINGS BY THE INSPECTOR GENERAL

UNAUTHORIZED RELEASE OF PRIVACY-PROTECTED INFORMATION BY THE DEPARTMENT'S WHITE HOUSE LIAISON OFFICE

On September 1, 1993, a piece entitled: "Found! Jennifer Fitzgerald's Personnel File" appeared in Al Kamen's "In the Loop," column on the Federal Page of *The Washington Post*. The item stated that Clinton administration officials had reviewed retired personnel files of 160 Department political appointees from the Bush administration, and related that each appointee had two files: one a standard résumé file, and the other a working file which contained complaints or supportive comments. The item further noted that the working file for former Deputy Chief of Protocol, Jennifer Fitzgerald, was empty and that the file for former Assistant Secretary for Consular Affairs, Elizabeth Tamposi, included a memorandum from a senior Department official suggesting that she was not qualified for her proposed position.

In its preliminary assessment of whether the contents of personnel files had been improperly released to the public, Department administrators learned that the Department's White House Liaison Office maintained a system of records of Department political appointees, that these files recently had been retrieved by Clinton administration appointees in that office, that these files were separate and distinct from the Department's Official Personnel Files (OPF) maintained by the Bureau of Personnel, and that the White House Liaison Office (WHLO) records were established pursuant to and protected by the provisions of the Privacy Act. Based upon advice from the Legal Adviser, the Assistant Secretary for Administration referred this matter on September 2, 1993, to the Office of Inspector General (OIG) for investigation, as a potential violation of the Privacy Act.

Between September 2, 1993, and November 8, 1993, the OIG's Office of Investigations conducted 62 interviews with Department personnel, White House personnel, and various other sources of information. Key witnesses were placed under oath. Additionally, OIG investigators reviewed records maintained by the White House Liaison Office during both the Bush and Clinton administrations, and examined telephone records, logs, and other relevant materials. Finally, OIG referred records to the Federal Bureau of Investigation for fingerprint analysis.

The White House Liaison Office serves as an intermediary between the White House and the Department in the processing of political appointments. In July 1993, Bush WHLO records were retrieved and reviewed by employees of the Department's White House Liaison Office. At that time, the WHLO staff was comprised of the Director, Joseph E. Tarver, the Deputy Director, Simon Peter Kahn, and the Staff Assistant, Hannah Bond, all of whom were Schedule C appointees. At Tarver's direction, Bond requested the retrieval of retired WHLO records. Twelve boxes of records were retrieved from storage and received by the White House Liaison Office about July 13, 1993.

Tarver stated that the decision to retrieve the files was his and his alone. Neither White House nor Department officials directed or were in any way involved in that decision. Tarver's primary purpose in retrieving the Bush administration WHLO records was to assist him in understanding the functions and duties of the Office. Tarver stated that he had been tasked by the White House with creating a "road map" for all political appointments in the Department. Tarver said he also wanted to determine if any of the records contained information that might have related to the Clinton passport investigation. Tarver had complied with a subpoena for records pertaining to that investigation in January 1993 and said that he felt obligated to provide any relevant documents.

On July 26, 1993, the White House Liaison Office received nine security violations for improper storage of classified documents. The security violations related to material in nine of the twelve boxes of Bush WHLO records. The security guards who found the violations stated that the boxes were seized, sealed, and stored in a secure area. All security guards involved in the inspection denied having any knowledge of the contents of the boxes. On July 27, 1993, the WHLO staff retrieved the nine boxes from the Bureau of Diplomatic Security and were directed to properly store all classified records. That same day, the three members of the WHLO staff reviewed for classification and storage purposes the material contained in the Bush administration WHLO records, discarded materials they felt they did not need, and stored the remainder. Approximately four burn bags of records were discarded. Correct records disposal procedures were not followed by White House Liaison Office staff, and a technical violation of Federal Records Management statutes might have occurred in this process.

During their file review, the WHLO staff discovered that an appointee file for former Deputy Chief of Protocol, Jennifer Fitzgerald, was empty and that an appointee file for former Assistant Secretary for Consular Affairs, Elizabeth Tamposi, contained memoranda, including one from a high-level official, questioning her qualifications for an Assistant Secretary position. While staff were reviewing these records, Mark R. Schulhof, an Assistant in the Office of Public Affairs, visited the office and was told by Hannah Bond about the records retrieval and the contents of the Fitzgerald and Tamposi files.

Schulhof admitted to OIG investigators that he received information regarding Fitzgerald's appointee file from Bond and that he provided that information to Kamen, but he denied that he knew or passed on information about Tamposi. Schulhof also admitted that he provided Tarver's name to Kamen as a source of additional information concerning the White House Liaison Office records. Telephone records of Schulhof's direct office extension reveal that 45 telephone calls were placed to Kamen's direct line at *The Washington Post* between April 26, 1993, and September 1, 1993. The telephone records also revealed that on July 27, 1993, a 13-minute telephone call was placed at 1:44 p.m. to Kamen's direct line at the Post from one of Assistant Secretary Donilon's two private lines while Donilon was out of town. This was the same day that the Bush administration WHLO records were reviewed by the White House Liaison staff. Schulhof admitted to OIG investigators that he "probably" made that telephone call. Other telephone records suggest with near certitude that he did. Schulhof's supervisor, Assistant Secretary for Public Affairs Thomas Donilon, advised that Schulhof was not authorized to speak to the press and that he had no knowledge of Schulhof's extensive communications with Kamen, nor would he have permitted it if he had known.

Tarver was detailed to the NAFTA Working Group at the end of July 1993, just a day or two following his office's review of the WHLO records. While at a NAFTA meeting at the Department, during the first week of August, Tarver was approached by Schulhof and told that Kamen wanted to discuss with him the empty Fitzgerald file. Tarver told Schulhof to have Kamen call him. Tarver told OIG investigators that the reason he spoke to Kamen was to explain that Kamen did not have a story just because the Fitzgerald file was empty, because a number of other appointee files were similarly empty. Tarver advised that Kamen contacted him by telephone approximately two days later in Tarver's office at the USTR.

At the beginning of their conversation, Tarver told Kamen it was "off the record." Tarver did not want Kamen to use his name as a source in the article. Tarver explained to Kamen that the White House Liaison Office maintained a filing system separate from the official personnel files of the Department. Tarver told Kamen that he had retrieved the Bush administration WHLO files, and he confirmed that Fitzgerald's appointee file was empty. Tarver raised with Kamen and discussed the subpoena he had received regarding the Clinton passport investigation and Kamen asked him if he had a personnel file for Tamposi. Tarver told Kamen that he had a file for Tamposi and that it contained typical government forms. Tarver denied releasing any information about the content of Tamposi's file, specifically the memorandum which questioned Tamposi's qualifications for her proposed position. While Tarver admitted discussing with Kamen concerns expressed by Department officials that Tamposi had not been qualified to be an Assistant Secretary, he denied tying that observation to any document in Tamposi's file.

In a reinterview Tarver was asked if he had more than one conversation with Kamen. He stated that he had a second conversation with Kamen near the end of August 1993. In this second conversation, Kamen told Tarver that he intended to "go with the article" and asked whether Tarver had anything else he wanted to add. Tarver stated that he did not discuss during this second conversation the specific information that the article would contain. Tarver related that Kamen might have mentioned the Fitzgerald file, but did not mention the Tamposi file. Investigators questioned Tarver about how he could comment on whether he had any information to add to a story if he did not know the contents of the story. Tarver again denied knowing the contents of the article until he read it in *The Washington Post* on September 1, 1993. When Tarver was asked why he failed to disclose this second Kamen conversation during his first interview with OIG, Tarver stated that it simply did not come to mind at the time.

The OIG findings identified Joseph E. Tarver and Mark R. Schulhof as primary subjects of the investigation. The evidence developed reflects that White House Liaison Office Director Tarver, was the sole Department employee responsible for directing the retrieval of the files relevant to this inquiry, and that Tarver and Schulhof were the sole Department employees responsible for the unauthorized dissemination of privacy-protected information from these files outside of the Department. No evidence was found or developed which indicated that anyone else in the Department (outside of the WHLO) or anyone in the White House directed or knew in advance of the records retrieval, knew of the contents of the files before Kamen's disclosures, or were involved in the unauthorized dissemination of Department privacy-protected information. Although Al Kamen was contacted by OIG investigators to determine if he would be willing to be interviewed concerning his knowledge of this situation, Kamen referred OIG to legal counsel who raised First Amendment and other legal issues and declined to approve any interview of Kamen.

On November 8, 1993, a prosecutive summary of potential Privacy Act violations was referred to the Public Integrity Section of the U.S. Department of Justice for Criminal Division review. On November 10, 1993, the day after receiving a detailed oral briefing from the Inspector General, Secretary of State Warren Christopher directed that Schulhof and Tarver be dismissed from their positions with the Department. In a letter dated January 28, 1994, the Justice Department declined criminal prosecution in the matter.

The OIG investigation disclosed that Department employees other than Messrs. Tarver and Schulhof may be responsible for acts of omission or commission in the conduct of their official duties. For example, one employee failed to promptly inform Department principals of that employee's full knowledge of the unauthorized release of information and another, apparently unwittingly, took actions which resulted in the destruction of relevant evidence. However, the investigation found no evidence to suggest that these other employees had been involved in criminal misconduct. Therefore, the Inspector General submits this report of administrative findings to the Secretary and to the Director General, and recommends that they take whatever management, administrative, and/or disciplinary action they deem appropriate based upon the facts presented.

To: John Podesta
From: Antonella Pianalto al
Date: February 4, 1994
Re: DoD Nomination

94 FEB 4 P2:50

On November 20, we nominated Richard Keevey to be CFO for DoD. Shortly thereafter, the 1994 Authorization Bill combined the CFO position at DoD with the Comptroller's. Keevey has been moved to a non-career SES slot as Deputy Comptroller.

We need to either pull his nomination or just leave it alone while DoD attempts to have the position restored. Please let me know what you think we should do.

Ron Geisler
Advise.
John
2/4/94

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

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

94 FEB 3 P12:00

Return to Sally Katzen

MEMORANDUM TO JOHN PODESTA
JACK QUINN

FROM: SALLY KATZEN

SUBJECT: ACUS NOMINATIONS

I have been receiving impassioned pleas from the ACUS staff to fill some of the **18** vacancies for public members (i.e., not government members) of the Conference (terms expired on June 30, 1993, but they remain in place until successors are appointed). (This is Conference membership, not Council membership.) While ACUS is bi-partisan, it is imperative -- they believe and I concur -- that we place a Clinton stamp on the membership as soon as possible to diffuse concern -- particularly among Democrats -- as we approach reauthorization and the appropriations battle. Appropriations hearings are now set for March 9th.

The following public members terms expired on June 30, 1993:

Curtis H. Barnette	Jonathan Rose
Warren Belmar	Stuart J. Stein
Eldon H. Crowell	Phillip N. Truluck
E. Donald Elliott	Michael M. Uhlmann
Fred F. Fielding	David C. Vladeck
Frederic Rogers Kellogg	Michael B. Wallace
Dennis J. Lehr	William Webster
Betty Southard Murphy	Jonathan Weiss
William T. Quillen	Richard S. Williamson

It is tradition to reappoint those who have been active and otherwise supportive of ACUS. Based on ACUS staff recommendations, I would support reappointing the following **3**: Warren Belmar, Jonathan Rose, and David Vladeck.

The staff has pulled together a series of names (without regard to party affiliation). The long lists are attached. I strongly support appointment of the following **10**:

Jodie Bernstein	-Chemical Waste Management (Former member; GC FTC, EPA, HHS in Carter Administration)
Tony Miles	-General Counsel, National Public Radio
Gary Bass	-OMB Watch
David Hawkins	-NRDC (leading environmentalist)
Phyllis Segal	-Mediator, ENDISPUTE, active in ADR (very helpful to ACUS) (unless she is about to receive a government job)
Douglas Costle	-Affiliated with University of Vermont (Former EPA Administrator (Carter Administration), has worked for Carnegie Commission on risk assessment)
Tom Hopkins	-Professor, Rochester Institute of Technology (former OMB official in GOP administration, regulatory expert)
Randy May	-Sutherland, Asbill & Brennan, D.C. (Communications lawyer, helpful on appropriations, actively seeking membership)

Marianne Smythe	-Wilmer, Cutler & Pickering (former ACUS consultant, friend of ACUS)
Dick Wegman	-DC lawyer (former Ribicoff staff, former ACUS member)
Cynthia Farina	-Cornell (ABA Government Ethics report; interested in ACUS)
Judy Resnik	-Southern California (Active correspondent on ALJ/gender bias issues, expert on adjudication)

Appointment is the prerogative of the Chairman, it is not a Presidential appointment. As Acting Chairman, I can simply write a letter and it is done. (This is a position that is not compensated; in fact, the public members are counted on to support ACUS both through the contribution of their time and financially to underwrite the semi-annual reception.)

I want to begin writing some appointment letters within the next week. Please, please please focus on this so I can get started.

1. I agree with all your excellent choices. _______

2. I agree with most of your choices, but do not think we should appoint:

~~Elena Kagan Prof. U. of Chicago Law School~~

I'd substitute Marge Baker for Phyllis Segal on the assumption that Phyllis will want to get something bigger.

P.S. Wegman drives me nuts, but he probably would make a contribution

3. I agree with all/most of your choices and want to add the following:

Elena Kagan U. of Chicago Law School

Randy Rader Judge Ct. of the Federal circuit Former Hatch Staff

Gerry Spann Af. American

cc: Phil Lader
Jan Piercy
Thomasina Rogers

Arthur Briskman Bkruptcy J. Orlando Fl. former Heflin staff.

Peter Kadzik — Partner Dickstein, Shapiro former AUSA N.Y. Very helpful to P in campaign & transition

How about Mike Remington for AOUS Director

Business

Patrick Augustine - Senior Vice President and General Counsel, First United Bancorporation, Colorado. (Wrote to Robin Ross in 1992 seeking membership)

Jodie Bernstein - Chemical Waste Management (Former member; GC FTC, EPA, HHS in Carter Administration)

Brenda Day - Federal Affairs, Environmental Director, Chrysler Corp. (Interviewed by NPR team)

Jennifer Kelly - Director of Regulatory Affairs, American Waterways Operators (Interviewed by NPR team)

William King - Regulatory Manager, Ford Motor Company (Interviewed by NPR team)

Tony Miles - General Counsel, National Public Radio (Former consultant) (M)

Mark Nelson - Vice President Federal Affairs, DuPont Company (working on behalf of Businesss Roundtable, interviewed by NPR team)

Barbara Timmer - ITT Corporation (Active in ABA, former Banking Committee staffer)

David Zoll - Vice President of Chemical Manufacturers Association (proponent of reg-neg)

Public Interest Lawyers

Gary Bass - OMB Watch

Steven Cole - Vice President, General Counsel of National Council of Better Business Bureaus, Arlington, Va. (Former Assistant A.G. of Maryland under Steve Sachs. Also worked for Jodie Bernstein at HHS)

Bill Futrell - President of Environmental Law Institute, Washington, (See attached article)

Eric Glitzenstein - D.C. Lawyer; formerly with Public Citizen. (Expert on access issues)

David Hawkins - NRDC (leading environmentalist; see attached article)

Elizabeth Hedlund - Center for Responsive Politics (watchdog on election law reform)

Wade Henderson - Local civil liberties lawyer (Former ACLU) (M)

Warren Leiden - Executive Director, American Immigration Lawyers Association (friendly to ACUS)

Ralph Neas - Civil Rights leader, lawyer (nominal GOP, I think)

Tony Roisman - DC lawyer (leading environmentalist lawyer; see attached article).

Mark Roth - General Counsel, AFGE (wrote letter to ACUS on recent audited self-regulation project)

Andrew Jay Schwartzman - Media Access Project (consumer oriented on FCC issues)

Karin Sheldon - National Wildlife Federation (?) (leading environmental lawyer on forestry, natural resources issues)

Nancy Shor - National Organization of Social Security Claimant Representatives, New York. (Would be terrific successor to Jonathan Weiss)

James Tripp - General Counsel, Environmental Defense Fund, New York (see attached article)

Robert Tobias - President, NTEU (has taught negotiation course at American University)

Need Names: AARP, Common Cause

ADR

Jim Alfini - Dean, Northern Illinois Law School, on Council of ABA Dispute Resolution Section (I have known him since law school; would be excellent member)

Marjorie Baker - President of National Institute of Dispute Resolution (NIDR), Washington. (Has been friendly to ACUS)

Howard Bellman - Mediator, based in Wisconsin (Participated in many ACUS events)

Dan Dozier - Mediator, formerly with Clean Sites, Inc. and with FMCS (Participated in many ACUS events)

Phil Harter - Lawyer, mediator, "father" of reg-neg (Overdue to be member, will be chair of Ad Law Section)

Carol Izumi - Clinical Law Professor at George Washington in ADR (M)

Michael Lewis - Mediator based in DC (Participated in many ACUS events; married to Linda Singer) (M)

Suzanne Orenstein - Senior Mediator, RESOLVE, Washington

Robert Raven - Head of ABA ADR Section, former ABA President, San Francisco

Leonard Riskin - Director of Center for Dispute Resolution, University of Missouri-Columbia (Did good job as ACUS consultant)

Phyllis Segal - Mediator, ENDISPUTE (very helpful to ACUS)

Linda Singer - Mediator based in DC (Participated in many ACUS events; married to Michael Lewis)

Wallace Warfield - Conflict Clinic, George Mason University (former President of SPIDER, former visiting executive at ACUS) (M)

Jack Watson - Atlanta lawyer (on Council of ABA ADR Section, participated in an ACUS program, former Carter White House)

Others

Elizabeth (Betsy) Bailey - Professor of Public Policy and Management at Wharton School. (Former CAB member and writer on regulation) (GOP)

Michael Barnes - Washington lawyer (former Congressman) (May have Emoluments Clause problem)

Douglas Costle - Affiliated with University of Vermont (Former EPA Administrator, has worked for Carnegie Commission)

William Gray III - Philadelphia (former Congressman) (M)

Tom Hopkins - Professor, Rochester Institute of Technology (former OMB official in GOP administration, regulatory expert)

Alfred Kahn - Ithaca, New York

Robert Kastenmeier - Washington; (former Congressman just finished chairmanship of "Impeachment Commission"

Robert Katzmann - Washington; Georgetown Professor of Political Science and Law; director of Governance Institute; Transition team leader on FTC (would like to be a member)

Carolyn Lukensmeyer - Washington/Ohio. Soon to move into consultant status with NPR.

Tom Downey -

Tom McMillan -

Birch Bayh -

Attorneys in Private Practice

Susan Allen - ACUS Council, make her public member instead?

Fred Anderson - Cadwalader firm, DC, (former American University Law Dean, former ACUS member)

Richard Ayres - O'Melveny & Myers, DC (Environmentalist, on Carnegie Commission)

Brooksley Born - DC lawyer, prominent in ABA

Edward Bruce - Covington and Burling (see 1992 letter to Robin Ross, with impressive resume')

William Coleman - O'Melveny & Myers, DC (former Secretary of DOT) (GOP) (M)

Peter Ehrenhaft - Bryan, Cave, DC (prominent international trade lawyer) (see resume)

Eugene Fidell - Feldesman, Tucker & Fidell, DC (former ACUS Consultant, activist lawyer, friend of ACUS)

Phil Fleming - Crowell & Moring (as special counsel, has been very active and supportive -- should be public member)

Zona Hostetler - DC lawyer, prominent in ABA, friend of ACUS.

Ray Ludwiszewski - Gibson, Dunn & Crutcher, DC (EPA member, briefly) GOP

Randy May - Sutherland, Asbill & Brennan, DC (Communications lawyer, helpful on appropriations, actively seeking membership)

Joseph Onek - D.C. lawyer, public interest bent, former Carter White House

Alvin T. Prestwood - Montgomery AL law firm (Courtly gentleman who came to Fall AdLaw meeting; friend of Senator Heflin)

Courtney Price - D.C. lawyer, former EPA regulatory official

John Quarles - Philadelphia lawyer, former EPA Deputy Administrator (GOP).

Alan Raul - DC lawyer, former USDA GC, (GOP)

Michael Remington - Jerris Leonard's firm, DC (former Staff Director of Congress Kastenmeier's Committee; friend of ACUS, knows Congressman Bryant.)

Delissa Ridgeway - Shaw, Pittman, DC (active in FBA Ad Law Committee and in Women's bar; Member, National Finance Council, DNC)

Paul Rosenthal - Collier, Shannon, DC (former staffer for Senator Ribicoff; friend of ACUS)

George Ruttinger - Crowell & Moring (former ACUS consultant; expert in government contracts)

Joseph Scott - Kator, Scott & Heller, DC (former GC OPM, Executive Director at ACUS; leading plaintiff attorney in federal personnel cases)

Marianne Smythe - Wilmer, Cutler, DC (former ACUS consultant, friend of ACUS)

Kenneth Starr - Kirkland & Ellis, DC, former DC Circuit, Solicitor General (participated in many ACUS events) (GOP)

Patricia Szervo - Pettit and Martin, DC (government contracts experts)

Dick Wegman - DC lawyer (former Ribicoff staff, former ACUS member)

Harris Weinstein - Covington & Burling (left ACUS seat for OTS position; needs about 4 months to qualify for senior Conference fellow status -- which he would like) (GOP)

Administrative Law Professors (Bio's Attached)

Bob Adler - North Carolina (former CPSC, long-time friend of ACUS; wrote article on training)

Judy Areen - Dean, Georgetown (Carter regulatory expert; little ACUS involvement since)

Lawrence Baxter - Duke (Excellent ACUS consultant on banking issues)

Frank L. Bloch - Vanderbilt (Excellent ACUS consultant on social security issues)

Hal Bruff - GW (Excellent ACUS consultant on separation of powers, OIRA issues)

Carin Clauss - Wisconsin (formerly at OSHA Solicitor in Carter Administration; no ACUS involvement).

Michael Cox - Dean, Cooley (Michigan) (Excellent ACUS consultant on Model Rules)

Cynthia Farina - Cornell (ABA Government Ethics report; interested in ACUS)

David Frohnmeyer - Dean, Oregon (One-term ACUS member who should have been reappointed) (GOP)

Bill Funk - Lewis and Clark (Excellent ACUS consultant on several projects)

Margaret Gilhooley - Seton Hall (former ACUS staff and consultant)

Sharon Hom - CUNY (helped ACUS prepare for China project) (M)

Suedeen Kelly - New Mexico (Active in ABA AdLaw and good political ties in New Mexico)

Steve Legomsky - Washington U. (St. Louis) (Excellent consultant on immigration and judicial review issues)

Lisa Lerman - Catholic (Excellent consultant on ethics issues)

Ron Levin - Washington U (St. Louis) (Excellent consultant on judicial review issues; current chair of AALS AdLaw Section; organized "save ACUS" letter on behalf of law professors)

Bill Luneburg - Pittsburgh (Excellent consultant on a variety of projects)

David Martin - Virginia (Excellent consultant on immigration and migrant workers issues, advised Clinton Administration on asylum issues)

Jerry Mashaw - Yale (Excellent consultant on rulemaking and social security issues)

Tom McGarity - Texas (Excellent consultant on a variety of topics)

Morell ("Gene") Mullins - Arkansas-Little Rock (Excellent consultant on ALJ manual)

Burnele Powell - North Carolina (Former consultant) (M)

Todd Rakoff - Harvard (Recommended by Peter Strauss; co-author of Gellhorn-Byse casebook)

Judy Resnik - Southern California (Active correspndent on ALJ/gender bias issues, expert on adjudication)

Susan Rose-Ackerman - Columbia (Regulatory Expert, no ACUS involvement)

Christopher Schroeder - Duke (Former aide to Senator Biden; has shown interest in ACUS)

Peter Schuck - Yale (Excellent consultant on a variety of issues) (may be GOP)

Teresa Schwartz - George Washington University (Former consultant; consumer oriented)

Peter Shane - Iowa (Excellent consultant on separation of powers issues)

Sidney Shapiro - Kansas (Excellent consultant on a variety of issues)

Anna Shavers - Nebraska (Active in ABA AdLaw) (M)

Marjorie Silver - New York Law School (Has shown some interest in ACUS)

J. Clay Smith - Howard (Former ACUS member, was helpful on appropriations) (GOP) (M)

Gerry Spann - Georgetown (He is active in EEO/AdLaw issues; former public interest lawyer) (M)

Dick Stewart - NYU - (Leading academic; former Assistant AG in last Administration; has participated on some ACUS panels) (GOP)

Thomas Sullivan - Dean, Arizona (Proposed by Senator DeConcini's staff in 92)

Cass Sunstein - Chicago (leading academic, has participated on some ACUS panels)

Leland Ware - St. Louis (ACUS Consultant on fair housing procedures) (M) faxed SS 2/4

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: SECRETARY REICH ATTENTION: SAUNDRA

Fax Number: 219-7659 **Phone Number:** 219-8274

FROM: JOHN PODESTA

SUBJECT:

DATE: 2/4/1994

NUMBER OF PAGES (including cover sheet): 8 pages

MESSAGE:

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

THE PRESIDENT HAS SEEN 2/4

THE WHITE HOUSE

WASHINGTON

February 1, 1994

MR. PRESIDENT:

Attached is a decision memo from Bob Reich on two related subjects: (i) income support during long-term retraining for dislocated workers; and (ii) expiration of emergency unemployment compensation benefits. **Note that the current Emergency Unemployment Compensation program is due to expire Saturday, February 5. Members of Congress will be looking for guidance from the White House during the next few days.**

The issue on income support is what the funding level should be. Bob reports that the NEC consensus favors the $2 billion (over five years) recommended by OMB as compared to the Labor Department's original proposal ($4.9 billion) or modified proposal ($3.4 billion). Bob supports the consensus, but wishes to bring to your attention certain downsides of funding at the lower level.

[redacted]

The issue on unemployment insurance is whether to terminate or extend the emergency program and whether to suggest reforms of the regular extended benefits program. The NEC consensus favors letting the emergency program expire while proposing a modest reform of the regular program.

We have circulated the memo to relevant staff. George concurs in the consensus recommendations. No one objects.

Approve consensus [✓] Discuss further [✓]

Todd Stern

THE PRESIDENT HAS SEEN 2/4

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

94 FEB 1 P2:17

FEB 1 1994

MEMORANDUM TO THE PRESIDENT

FROM: Labor Secretary Robert B. Reich RBR

THROUGH: Robert Rubin RLR

SUBJECTS: Income support during long-term retraining for dislocated workers; Expiration of Emergency Unemployment Compensation benefits

An NEC meeting on January 24 covered two important choices regarding benefits for jobless workers. (Attending were Lloyd Bentsen, Roger Altman, Leon Panetta, George Stephanopolous, Mickey Kantor, Tom Nides, Larry Katz, Belle Sawhill, Barbara Chow, Bob Rubin and myself.) In each case, the balance of opinion favored one of the least costly options. This memo gives some background on each issue, outlines our recommendation, and notes the alternatives that were considered.

Issue I. Income support during long-term retraining for dislocated workers

The workforce security initiative we will send to Congress next month consists of two major components--a set of re-employment services (funded on the discretionary side of the budget) and income support for workers who need extensive retraining (funded on the mandatory side). In late December you approved the Labor Department's requested $10 billion 5-year budget for re-employment services. You made no decision on the corresponding $4.9 billion 5-year request for retraining income support.

As the legislative proposal date approaches, we need closure. Income support funding levels affect the design of the program. The level needs to be settled so that we can talk plainly about how the Administration will deliver on its promise to dislocated workers.

RECOMMENDATION

OMB has determined that the highest feasible budget for income support is $2 billion in capped mandatory spending over 5 years. The Labor Department has recast its original program design to fit this constraint, through four major changes. First, income support during retraining is limited to one year beyond regular unemployment insurance. Second, the maximum training grant is capped at $5,000--lower than the original proposal, but more generous than Pell Grants and most other comparable programs. (These two changes will result in a modestly expanded role for income contingent loans to finance the most costly and extended courses of training.) Third, the pace of implementation is retarded, with universal coverage delayed to FY 2000 instead of FY 1998. Fourth, until FY 2000 income support is only guaranteed on the mandatory side of the budget for "high-tenure" dislocated workers. In the interim, income support for workers with fewer than three years of job tenure would be contingent on annual appropriation decisions.

The Department has identified $1.8 billion of offsets in its own programs, the largest part being the extension of the FUTA 0.2 percent surcharge in FY 1999. OMB believes it can identify offsets for the remaining $200 million in 5-year mandatory costs. After FY 1999, we envision a permanent extension of the 0.2 percent FUTA surcharge as the sole source for financing the income support costs. (The FUTA surcharge is not a new tax, but the broadly-anticipated extension of a tax that has been in place for many years.)

The NEC group reached a consensus in favor of this option. The proposal minimizes mandatory costs, and hence the need to find offsets. I join the consensus behind this approach. In the current budgetary environment, with many of our most vital missions competing for resources, economy is an urgent imperative. Economy doesn't come cheap, however. Two issues--beyond the delay in implementation--grow in importance as the income-support budget tightens:

1. One central goal of the comprehensive dislocated worker proposal is consolidating separate programs into a single system. Our ultimate success at consolidation depends on presenting a program design that will be seen as a reasonable substitute for programs to be consolidated. In particular, Trade Adjustment Assistance (TAA) is cherished by the AFL-CIO, and a program matching TAA's income support provisions is an issue in our efforts to gain labor's support. While the recommended option is far more generous than the current system for <u>most</u> dislocated workers, some <u>trade</u>-displaced workers could end up worse off than under TAA. Labor could well resist folding TAA into the system.

2. Using a "tenure screen" to ration income support during retraining makes substantive sense, in that job loss hits long-tenure workers harder. Tenure screens are a permanent feature of all the options considered. Though OMB has evidence to the contrary there is a perception that restricting guaranteed income support to long-tenure workers will disproportionately affect women and minorities.

ALTERNATIVES TO THE RECOMMENDED OPTION

1. <u>DOL's Original Proposal--$4.9 billion over 5 years</u>

The Department's original design guaranteed up to two years of income support during long-term training, delivered through the UI system, to dislocated workers with 3 or more years of job tenure. This alternative is inclusive, reaches full coverage by FY 1998, and increases the odds of consolidating other programs (including TAA) and of attracting strong support from labor, black, hispanic, and women's groups. The obvious disadvantage is the need to find an extra $2.9 billion in offsets.

2. <u>Adjusted DOL Proposal--$3.4 billion over 5 years</u>

This option parallels the substance and strategy of our original proposal, but shrinks the funding need by roughly $1.5 billion through two main changes: capping the maximum training grant at a lower level, and limiting income support during retraining to one and a half instead of two years. This proposal is identical to the recommended $2 billion option from FY 2000 forward. But under this option, all dislocated workers will be covered in FY 1998, and guaranteed income support for dislocated workers with 1 to 3 years of tenure starts immediately. These two differences mean the mandatory 5 year funding requirements exceed those of the recommended option by $1.4 billion.

The difficulties of finding these additional offsets are formidable. Moreover, constraining the income-support budget does not imperil any fundamental feature of your dislocated-worker initiative. We still have a solid program. I urge you to support the recommended option.

DECISION

Do you approve our recommendation for a $2 billion income-support component to the dislocated worker training initiative?

YES ______
NO ______
DISCUSS ______

Issue II: Expiration of Emergency Unemployment Compensation benefits

The Emergency Unemployment Compensation (EUC) program is due to expire on February 5th. First enacted in November 1991 to provide extra weeks of benefits beyond regular unemployment insurance, EUC was originally slated to last four months.

It has since been extended (and amended) four times, twice in this Administration. Nearly one million workers currently benefit. In California and three other hard-hit states, jobless workers can get thirteen weeks of extended coverage. In other states, participants get only seven extra weeks of benefits. The cumulative cost of the program since its inception will reach $28 billion if it is allowed to expire in February. An extension of the current EUC program for another six months is estimated to cost an additional $1.5 billion.

The need for this "temporary" program arose because the regular program of Extended Benefits (EB) was activated in only a handful of states during the recession. The problem is rather technical, but important, and has to do with the specific measures of state-level unemployment that cause the EB program to "trigger" in a state. These triggers were tightened considerably in the Reagan Administration, rendering EB a dormant program in most states.

Changes made in the third EUC extension gave states the **option** of adopting somewhat looser triggers. Since states pay half the costs of EB, their incentives to accept this option have been mixed--particularly in light of repeated extensions of EUC, whose costs fall entirely on the Federal treasury. Seven states have enacted this option. Of these seven, only two now suffer unemployment rates high enough to activate the new triggers.

The context for our decision on EUC includes the widespread concerns raised at the time of the last extension that the EB program must be fixed to replace what risked becoming a permanent "emergency" program.

RECOMMENDATION

The NEC group favors letting the current EUC program terminate on February 5th, but also recommends that the Administration consider proposing a modest reform of the permanent EB program that would give states additional flexibility in setting the unemployment-rate triggers.

The argument for letting the EUC program expire is threefold. First, the need for an emergency program has clearly diminished with economic recovery. The unemployment rate has fallen from 7.7 percent in June 1992 to 6.4 percent at the end of last year--0.5 percentage points below the rate in November 1991 when EUC was initiated. Second, Congress has little appetite for a sixth version of the EUC program. Third, extensions are costly, not only in actual funds but in political capital.

Here again, however, the best option has its defects. Allowing EUC to expire eliminates a major form of support for the long-term unemployed in many weak labor markets. Although the overall unemployment rate has fallen substantially, long-term unemployment remains persistently high. More than one in five of the unemployed (1.7 million people) have been out of work for 27 weeks or more. (In contrast, there were 1.3 million long-term unemployed workers when EUC started in November 1991.) The long-term jobless in high-unemployment states such as California (with an 8.7 percent unemployment rate) and New York (7.6 percent rate) would not qualify for extended benefits, since these states have not opted for the more sensitive EB triggers. And the February 5th expiration of EUC may be complicated by the first release of the new-method unemployment numbers on February 4.

The Administration's central response to long-term unemployment is our comprehensive dislocated workers program. But many in Congress are also expecting some reforms of the EB system. House majority leader Gephardt and others expressed such interest during the floor debate over the last extension.

The NEC group favors considering a real but modest EB reform proposal that would give states more flexibility in their choice of EB triggers. Current law requires that unemployment be not just high, but also rising--that is, it must exceed (by 10 percent) the rate in either of the prior two years. Dropping this requirement would allow states in which high unemployment persists for several years to provide continued support to the long-term jobless, with the costs shared 50-50 by the Federal government. But CEA has pointed out that this proposal could lead to the availability of more unemployment benefits in states with chronic high unemployment and thereby serve to exacerbate regional unemployment differences. This option is estimated to have a five year cost of roughly $600 million. We have not yet identified offsets, and before proposing such a reform package we would need to do so.

This version of EB reform has the advantage, relative to more aggressive EB reform proposals, of limited cost. Moreover, it does not require states to change their EB systems, and hence avoids the "unfunded mandate" charge. It addresses a specific Congressional complaint about current EB rules. But it may be seen by some in Congress and labor as an inadequate gesture towards EB reform.

Finally, it should be noted that if EUC is allowed to expire next month, those exhausting regular UI in hard-hit states, such as California, will be without extended benefits in the short run regardless of whether we push an EB reform package, since implementation involves changes in state law, and will take time.

ALTERNATIVES TO THE RECOMMENDED OPTION

1. Let EUC terminate without offering EB reforms.

This is the least costly option, but it fails to address the expectations of many in Congress of a proposal to fix the permanent EB program.

2. Let EUC terminate and offer legislation to undertake a major reform of the permanent EB program.

Such an EB reform proposal would include: (1) mandating that all states adopt a trigger based on a broader, more realistic definition of state-level unemployment; and (2) allowing states to waive the requirement that unemployment be rising in order to trigger EB. The estimated 5-year costs are $2.2 billion. This approach would likely satisfy many in Congress looking for EB changes. The problems are finding $2.2 billion in offsets, and mandating states to increase their UI payroll taxes.

3. Extend EUC for 6 months without offering EB reforms.

The costs of this option are $1.5 billion. This approach offers immediate assistance to the long-term unemployed, but it fails to address the problems with the EB system. It also violates an implicit understanding on the Hill that the last EUC extension was the "final" one.

4. Extend EUC for 6 months and offer legislation to undertake a major reform of the permanent EB program.

This option is estimated to cost $3.7 billion over 5 years. It reflects the likely February 1 recommendations of the Advisory Council on Unemployment Compensation, headed by former Bureau of Labor Statistics Commissioner Janet Norwood and including Tom Donahue and Owen Bieber, among others. This approach continues immediate assistance to people who exhaust their regular UI benefits, and offers a plan to eliminate the need for EUC in the future. The major problems are the large federal costs; the violation of the perceived commitment against extending EUC yet again; and the mandate, embedded in the EB proposals, that states raise additional funds to pay their share of the new costs.

DECISION

Do you approve our recommendation to allow the EUC program to terminate and to consider a modest EB reform proposal?

YES ________
NO ________
DISCUSS ________

THE PRESIDENT HAS SEEN 2/4

THE WHITE HOUSE

WASHINGTON

February 1, 1994

MR. PRESIDENT:

Attached is a decision memo from Bob Reich on two related subjects: (i) income support during long-term retraining for dislocated workers; and (ii) expiration of emergency unemployment compensation benefits. **Note that the current Emergency Unemployment Compensation program is due to expire Saturday, February 5. Members of Congress will be looking for guidance from the White House during the next few days.**

The issue on income support is what the funding level should be. Bob reports that the NEC consensus favors the $2 billion (over five years) recommended by OMB as compared to the Labor Department's original proposal ($4.9 billion) or modified proposal ($3.4 billion). Bob supports the consensus, but wishes to bring to your attention certain downsides of funding at the lower level. [redacted]

The issue on unemployment insurance is whether to terminate or extend the emergency program and whether to suggest reforms of the regular extended benefits program. The NEC consensus favors letting the emergency program expire while proposing a modest reform of the regular program.

We have circulated the memo to relevant staff. George concurs in the consensus recommendations. No one objects.

Approve consensus [✓] Discuss further [✓]

Todd Stern

THE PRESIDENT HAS SEEN 2/4

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

94 FEB 1 P2:17

FEB 1 1994

MEMORANDUM TO THE PRESIDENT

FROM: Labor Secretary Robert B. Reich RBR

THROUGH: Robert Rubin RER

SUBJECTS: Income support during long-term retraining for dislocated workers; Expiration of Emergency Unemployment Compensation benefits

An NEC meeting on January 24 covered two important choices regarding benefits for jobless workers. (Attending were Lloyd Bentsen, Roger Altman, Leon Panetta, George Stephanopolous, Mickey Kantor, Tom Nides, Larry Katz, Belle Sawhill, Barbara Chow, Bob Rubin and myself.) In each case, the balance of opinion favored one of the least costly options. This memo gives some background on each issue, outlines our recommendation, and notes the alternatives that were considered.

Issue I. Income support during long-term retraining for dislocated workers

The workforce security initiative we will send to Congress next month consists of two major components--a set of re-employment services (funded on the discretionary side of the budget) and income support for workers who need extensive retraining (funded on the mandatory side). In late December you approved the Labor Department's requested $10 billion 5-year budget for re-employment services. You made no decision on the corresponding $4.9 billion 5-year request for retraining income support.

As the legislative proposal date approaches, we need closure. Income support funding levels affect the design of the program. The level needs to be settled so that we can talk plainly about how the Administration will deliver on its promise to dislocated workers.

RECOMMENDATION

OMB has determined that the highest feasible budget for income support is $2 billion in capped mandatory spending over 5 years. The Labor Department has recast its original program design to fit this constraint, through four major changes. First, income support during retraining is limited to one year beyond regular unemployment insurance. Second, the maximum training grant is capped at $5,000--lower than the original proposal, but more generous than Pell Grants and most other comparable programs. (These two changes will result in a modestly expanded role for income contingent loans to finance the most costly and extended courses of training.) Third, the pace of implementation is retarded, with universal coverage delayed to FY 2000 instead of FY 1998. Fourth, until FY 2000 income support is only guaranteed on the mandatory side of the budget for "high-tenure" dislocated workers. In the interim, income support for workers with fewer than three years of job tenure would be contingent on annual appropriation decisions.

The Department has identified $1.8 billion of offsets in its own programs, the largest part being the extension of the FUTA 0.2 percent surcharge in FY 1999. OMB believes it can identify offsets for the remaining $200 million in 5-year mandatory costs. After FY 1999, we envision a permanent extension of the 0.2 percent FUTA surcharge as the sole source for financing the income support costs. (The FUTA surcharge is not a new tax, but the broadly-anticipated extension of a tax that has been in place for many years.)

The NEC group reached a consensus in favor of this option. The proposal minimizes mandatory costs, and hence the need to find offsets. I join the consensus behind this approach. In the current budgetary environment, with many of our most vital missions competing for resources, economy is an urgent imperative. Economy doesn't come cheap, however. Two issues--beyond the delay in implementation--grow in importance as the income-support budget tightens:

1. One central goal of the comprehensive dislocated worker proposal is consolidating separate programs into a single system. Our ultimate success at consolidation depends on presenting a program design that will be seen as a reasonable substitute for programs to be consolidated. In particular, Trade Adjustment Assistance (TAA) is cherished by the AFL-CIO, and a program matching TAA's income support provisions is an issue in our efforts to gain labor's support. While the recommended option is far more generous than the current system for <u>most</u> dislocated workers, some <u>trade</u>-displaced workers could end up worse off than under TAA. Labor could well resist folding TAA into the system.

2. Using a "tenure screen" to ration income support during retraining makes substantive sense, in that job loss hits long-tenure workers harder. Tenure screens are a permanent feature of all the options considered. Though OMB has evidence to the contrary there is a perception that restricting guaranteed income support to long-tenure workers will disproportionately affect women and minorities.

ALTERNATIVES TO THE RECOMMENDED OPTION

1. DOL's Original Proposal--$4.9 billion over 5 years

The Department's original design guaranteed up to two years of income support during long-term training, delivered through the UI system, to dislocated workers with 3 or more years of job tenure. This alternative is inclusive, reaches full coverage by FY 1998, and increases the odds of consolidating other programs (including TAA) and of attracting strong support from labor, black, hispanic, and women's groups. The obvious disadvantage is the need to find an extra $2.9 billion in offsets.

2. Adjusted DOL Proposal--$3.4 billion over 5 years

This option parallels the substance and strategy of our original proposal, but shrinks the funding need by roughly $1.5 billion through two main changes: capping the maximum training grant at a lower level, and limiting income support during retraining to one and a half instead of two years. This proposal is identical to the recommended $2 billion option from FY 2000 forward. But under this option, all dislocated workers will be covered in FY 1998, and guaranteed income support for dislocated workers with 1 to 3 years of tenure starts immediately. These two differences mean the mandatory 5 year funding requirements exceed those of the recommended option by $1.4 billion.

The difficulties of finding these additional offsets are formidable. Moreover, constraining the income-support budget does not imperil any fundamental feature of your dislocated-worker initiative. We still have a solid program. I urge you to support the recommended option.

DECISION

Do you approve our recommendation for a $2 billion income-support component to the dislocated worker training initiative?

YES ______
NO ______
DISCUSS ______

Issue II: Expiration of Emergency Unemployment Compensation benefits

The Emergency Unemployment Compensation (EUC) program is due to expire on February 5th. First enacted in November 1991 to provide extra weeks of benefits beyond regular unemployment insurance, EUC was originally slated to last four months.

It has since been extended (and amended) four times, twice in this Administration. Nearly one million workers currently benefit. In California and three other hard-hit states, jobless workers can get thirteen weeks of extended coverage. In other states, participants get only seven extra weeks of benefits. The cumulative cost of the program since its inception will reach $28 billion if it is allowed to expire in February. An extension of the current EUC program for another six months is estimated to cost an additional $1.5 billion.

The need for this "temporary" program arose because the regular program of Extended Benefits (EB) was activated in only a handful of states during the recession. The problem is rather technical, but important, and has to do with the specific measures of state-level unemployment that cause the EB program to "trigger" in a state. These triggers were tightened considerably in the Reagan Administration, rendering EB a dormant program in most states.

Changes made in the third EUC extension gave states the **option** of adopting somewhat looser triggers. Since states pay half the costs of EB, their incentives to accept this option have been mixed--particularly in light of repeated extensions of EUC, whose costs fall entirely on the Federal treasury. Seven states have enacted this option. Of these seven, only two now suffer unemployment rates high enough to activate the new triggers.

The context for our decision on EUC includes the widespread concerns raised at the time of the last extension that the EB program must be fixed to replace what risked becoming a permanent "emergency" program.

RECOMMENDATION

The NEC group favors letting the current EUC program terminate on February 5th, but also recommends that the Administration consider proposing a modest reform of the permanent EB program that would give states additional flexibility in setting the unemployment-rate triggers.

The argument for letting the EUC program expire is threefold. First, the need for an emergency program has clearly diminished with economic recovery. The unemployment rate has fallen from 7.7 percent in June 1992 to 6.4 percent at the end of last year--0.5 percentage points below the rate in November 1991 when EUC was initiated. Second, Congress has little appetite for a sixth version of the EUC program. Third, extensions are costly, not only in actual funds but in political capital.

Here again, however, the best option has its defects. Allowing EUC to expire eliminates a major form of support for the long-term unemployed in many weak labor markets. Although the overall unemployment rate has fallen substantially, <u>long-term</u> unemployment remains persistently high. More than one in five of the unemployed (1.7 million people) have been out of work for 27 weeks or more. (In contrast, there were 1.3 million long-term unemployed workers when EUC started in November 1991.) The long-term jobless in high-unemployment states such as California (with an 8.7 percent unemployment rate) and New York (7.6 percent rate) would not qualify for extended benefits, since these states have not opted for the more sensitive EB triggers. And the February 5th expiration of EUC may be complicated by the first release of the new-method unemployment numbers on February 4.

The Administration's central response to long-term unemployment is our comprehensive dislocated workers program. But many in Congress are also expecting some reforms of the EB system. House majority leader Gephardt and others expressed such interest during the floor debate over the last extension.

The NEC group favors considering a real but modest EB reform proposal that would give states more flexibility in their choice of EB triggers. Current law requires that unemployment be not just <u>high</u>, but also <u>rising</u>--that is, it must exceed (by 10 percent) the rate in either of the prior two years. Dropping this requirement would allow states in which high unemployment persists for several years to provide continued support to the long-term jobless, with the costs shared 50-50 by the Federal government. But CEA has pointed out that this proposal could lead to the availability of more unemployment benefits in states with chronic high unemployment and thereby serve to exacerbate regional unemployment differences. This option is estimated to have a five year cost of roughly $600 million. We have not yet identified offsets, and before proposing such a reform package we would need to do so.

This version of EB reform has the advantage, relative to more aggressive EB reform proposals, of limited cost. Moreover, it does not <u>require</u> states to change their EB systems, and hence avoids the "unfunded mandate" charge. It addresses a specific Congressional complaint about current EB rules. But it may be seen by some in Congress and labor as an inadequate gesture towards EB reform.

Finally, it should be noted that if EUC is allowed to expire next month, those exhausting regular UI in hard-hit states, such as California, will be without extended benefits in the short run regardless of whether we push an EB reform package, since implementation involves changes in state law, and will take time.

ALTERNATIVES TO THE RECOMMENDED OPTION

1. Let EUC terminate without offering EB reforms.

This is the least costly option, but it fails to address the expectations of many in Congress of a proposal to fix the permanent EB program.

2. Let EUC terminate and offer legislation to undertake a major reform of the permanent EB program.

Such an EB reform proposal would include: (1) mandating that all states adopt a trigger based on a broader, more realistic definition of state-level unemployment; and (2) allowing states to waive the requirement that unemployment be rising in order to trigger EB. The estimated 5-year costs are $2.2 billion. This approach would likely satisfy many in Congress looking for EB changes. The problems are finding $2.2 billion in offsets, and mandating states to increase their UI payroll taxes.

3. Extend EUC for 6 months without offering EB reforms.

The costs of this option are $1.5 billion. This approach offers immediate assistance to the long-term unemployed, but it fails to address the problems with the EB system. It also violates an implicit understanding on the Hill that the last EUC extension was the "final" one.

4. Extend EUC for 6 months and offer legislation to undertake a major reform of the permanent EB program.

This option is estimated to cost $3.7 billion over 5 years. It reflects the likely February 1 recommendations of the Advisory Council on Unemployment Compensation, headed by former Bureau of Labor Statistics Commissioner Janet Norwood and including Tom Donahue and Owen Bieber, among others. This approach continues immediate assistance to people who exhaust their regular UI benefits, and offers a plan to eliminate the need for EUC in the future. The major problems are the large federal costs; the violation of the perceived commitment against extending EUC yet again; and the mandate, embedded in the EB proposals, that states raise additional funds to pay their share of the new costs.

DECISION

Do you approve our recommendation to allow the EUC program to terminate and to consider a modest EB reform proposal?

YES ________
NO ________
DISCUSS ________

Mark/RR.

THE PRESIDENT HAS SEEN 2/4

MEMORANDUM

To: ~~President~~ Bill Clinton   Dated: February 2, 1994

From: Bob Raymar

Re: Steven S. Honigman for General Counsel, DOD

In the event that Jamie Gorelick, Esq. is nominated to be Deputy Attorney General, I urge you to consider Steve Honigman for General Counsel of the Department of Defense.

You may recall that Steve was the first civilian confirmed by the U.S. Senate (June 1, 1993) for any of the military services. As General Counsel of the U.S. Navy Department, he already knows the key issues and the key players, including the top civilian and military leadership at the Pentagon, and in the Civil Division of the Department of Justice. He has developed an excellent reputation for administering a large and far-flung legal department, for giving sound and sensitive legal advice, for building coalitions among contentious factions, for being a tough litigator fully protective of the Navy's interests, and for acting at all times with total integrity and civility.

There cannot be anyone in the Administration who is more loyal to you, who has worked harder or with better effect for the past year, who is more cognizant of the Administration's big picture at all times, or who is more a team player than Steve.

Bob Raymar thinks you should consider STEVE HONIGMAN for General Counsel at DOD if Jamie Gorelick goes to Justice

RSR/cb
cc: Honorable Hillar

NH
✓ cc Bernie
2/2 BRL

MEMORANDUM

To: Nancy Hernreich
Tel: 202-456-6610
Fax: 202-456-6703
2 pages

Dated: February 2, 1994

From: Bob Raymar
Tel: 201-621-9020
Fax: 201-621-7406

Re: Steven S. Honigman for General Counsel, DOD

Would you please deliver the attachment as soon as possible.

Thank you very much.

RSR/cb
Attachment

THE PRESIDENT HAS SEEN 2/4

THE WHITE HOUSE

WASHINGTON

94 FEB 2 P3:54

February 2, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL R.E.

Subject: Attached memo on Crime Communications Strategy

Attached please find a crime communications strategy memo. Please look over the proposed events. Ricki and I are sitting down soon, and we would like to know your thoughts before locking anything down on the schedule.

As I see it, our crime communications strategy should be broken down into thematic pieces. February should be dedicated to communicating a comprehensive crime strategy; March should focus on the details of the Crime Bill.

FEBRUARY: Playing off of the State of the Union Address, your goal for February is to communicate in broad strokes your agenda for fighting crime and strengthening communities. This goes beyond your legislative proposals, and includes your drug strategy (increased funding for fighting drug use, for drug treatment, etc.); changing attitudinal behavior; and rebuilding communities so that they are havens for families, not breeding grounds for criminals. In my view, the Town Hall and a speech to a police academy are two events that would work well in February.

MARCH: After establishing a comprehensive foundation in February, your goal for March is to get into the specifics of fighting crime, and in particular the Crime Bill. You should identify yourself with the following key pieces of the Crime Bill: 100,000 cops, 3-Strikes, and a ban on assault weapons. During this month, you should constantly be seen surrounded by law enforcement officers, a "sea of blue."

visit to
community
police
or neighborhood
crime patrol
or city where
gun metal down
or safe school

not even w/ town hall

lots of good officials
can do w/ crime 80
eg Feb -

January 27, 1994

MEMORANDUM FOR CIRCULATION

FROM: RAHM EMANUEL

Subject: Proposed Communications Strategy and Schedule for Crime

I. INTRODUCTION

The strong positive response to the President's discussion of crime in the State-of-the-Union suggests that the President has an opportunity to make the issue "his." This memo outlines a communications strategy with the goals of (1) passing the Crime Bill; and (2) identifying the President with the issue of crime and violence.

The President has succeeded in redefining the debate on crime. No longer is it prevention v. punishment. Instead, the issue of crime and violence has been changed to punishment and values (learning the difference between right and wrong.)

Polls show that the issue of crime, along with health care and the economy, tops the public's list of concerns. In addition, polls show that a majority of Americans feel that the moral fabric of our society is disintegrating. Therefore, by redefining the issue of crime in terms of punishment and values, we get the best of both worlds.

II. LEGISLATIVE CALENDAR

The next eight weeks until the congressional conference report is issued are critical. Legislatively, our goal is the passage of the Crime Bill. However, the Crime Bill is a means to a further end. The Crime Bill is also a vehicle to communicate to the public a set of strongly-held values that the President embraces, as well as the President's tough stance on crime and criminals.

The legislative schedule, which serves as our window of opportunity, is as follows:

February '94	- House committee and sub-committee action
Early-Mid March	- House Crime Bill
Late March	- Conference
March 28-April 10	- Recess
Mid April	- Crime Conference Report

III. COMMUNICATIONS MESSAGE

Our communications strategy should initially focus on the 6-10 week window while the House considers the crime bill(s). Our principal goal in this period is to identify the President with the crime issue. We must both present the President as tough on crime, and define the his values.

To this end, the President should focus on three key parts of the crime package: "three strikes you're out;" 100,000 police officers; and the ban on assault weapons. The first thematic bloc should be on 3-Strikes-You're-Out (punishment/tough on crime); then, more broadly, to cops (punishment); and then close with guns (values). Throughout, the President should be stressing his values: family, church, community, responsibility.

These three components demonstrate that the President is serious about fighting crime and restoring the moral fabric of our society. In particular, the 100,000 police officers provision is Clinton's signature on the Crime Bill.

Considering the fact that Newt Gingrich is attacking the President's crime proposals as too weak, Democratic House members should highlight the fact that Gingrich's crime proposals have never included funds for more cops.

IV. SCHEDULING

We should consider some events that underscore the "values" orientation of the State-of-the-Union. These events fall into two categories: over-the-top events that address the big picture of crime and societal values; and smaller events that underscore the three key components of the President's crime proposal (listed above). The over-the-top events must be scheduled by April 1, 1994. The smaller events should be ongoing over time.

A. OVER THE TOP EVENTS: THE PRESIDENT'S VALUES

The goal of these events is to identify the President with the issue of crime.

- National Town Hall on Crime: In a select city, the President could hold a televised, national "town hall" on crime and violence. We should start working with one of the networks to set this up. ABC News has indicated interest in a town hall on violence and crime. It would be smart to do this over the February recess, when Members of Congress are at home.

- Police Academy: The President could speak to a police academy class. This speech would give the President the opportunity to both highlight the 100,00 cops provision, and also talk about values. In this speech, the President would highlight the importance of police officers, not only in terms of deterring crime, but also in terms of strengthening communities. The police officers have a responsibility to be role models, to reach out to kids, and to try to instill in them a sense of right and wrong.

- Interview/Essay for Mass Publication: The President could give an interview to or write an essay on crime and violence in America for a mass publication such as Reader's Digest, TV Guide, or Parade Magazine.

- Counter-Scheduling: The President should go into the lion's den, so to speak, by giving a speech to a group of manufacturers of bullets.

- Open Letter to NRA: The President should write an open letter to NRA members, as a fellow sportsman, calling on them to support the ban on semi-automatic weapons. This letter could be submitted to a magazine as an advertisement.

- Church Sermon: The President could deliver a sermon to a church congregation.

B. ONGOING EVENTS: THE PRESIDENT'S PROPOSAL

The role of these events is to highlight the three major components of the President's crime bill: "3 Strikes," 100,00 cops, and assault weapons.

1) COPS

- Community Policing: The President could spend the day in a city that has community policing. Some ideas for this day include visiting a police station, walking a police beat, and addressing to cops involved in the program.

- Neighborhood Safety: The President could accompany the mayor and neighborhood watch-group participants on a block patrol, or he could visit a victims rights group.

- Surprise Visit to Police Precinct: The President should do a surprise visit (not on schedule) to a police precinct.

- Hero Cops: We should bring in hero cops to the White House at every opportunity (e.g., for Thursday photo shoots). It's not big national news, but huge locally.

- Murdered Cops: Cops are killed by violent criminals too frequently. The President should attend a funeral of a police officer who is murdered on the job. In addition, we should invite the spouses of murdered cops to the White House for a speech by or session with the President.

- Radio Address: The President should broadcast one of his Radio Addresses from a police precinct.

- Boot Camp: The President could visit a boot camp.

2) VALUES

- Boys & Girls Club: Visit a boys and girls club or some other "take back the streets" initiative in a housing project in a major city. This could be the opportunity for straight talk about responsibility and right and wrong.

- Teen Pregnancy: The President could visit a teen pregnancy prevention program, and speak to young people about responsibility and family.

- CDC Study on Violence: The Centers for Disease Control will release a study on causes of death, which will show the toll of violence. The President could make a statement, followed by the head of CDC, or Shalala, who would release the study and takes questions (could be in the briefing room, or in front of an audience).

- NBA Role Models: NBA players are holding a conference on February 12 in Minnesota. They could come to the White House the day before the conference begins. As role models to kids, the players could deliver a message of responsibility, education, and family values.

3) GUNS

- Mr. Toys for Guns: We could invite Ferdinand Mateo (Mr. Toys for Guns) to the White House. This meeting would be similar to the meeting with Mark Klaas last month.

4) MISCELLANEOUS

- Cabinet Crime Fighters: Bring in the crime fighters (Reno, Lee Brown, Freeh) to report on unified, administration-wide crime effort.

- Petaluma, California: Visit Petaluma, California next time in the state.

- Conference Committee Kick-Off: The conferees should be brought in for a speech on crime.

V. CONCLUSION

In short, we want to accomplish the following beyond the passage of the Crime Bill: (1) identify the President as tough on crime by highlighting specific components of his crime bill proposal; (2) identify the President as a person of deeply-held values, a moral leader for this country. To achieve these goals, we need to schedule as many of the above events as soon as possible.

This memo deals primarily with the President's schedule, which should be developed immediately. There is, of course, a whole other surrogate schedule that needs to be developed. Members of Congress, Mayors, Police Chiefs, and the Cabinet should all be dispatched to talk about the President's agenda on crime.

THE PRESIDENT HAS SEEN 2/4

THE WHITE HOUSE

WASHINGTON

(1) POTUS
(3) Desk
(2) Sm
(4) Bruce L

February 2, 1994

MEMORANDUM TO MACK McLARTY

FROM: BILL BURTON Bill B.

94 FEB 3 P12:55

SUBJECT: Superconducting Super Collider

I spoke with Sylvia de Leon, Texas's lawyer for the SSC termination project, regarding the Ann Richards-Hazel O'Leary meeting yesterday. Sylvia said the meeting was not productive, in the governor's view, and that Hazel's chief objective seemed to be to convince Texas that the federal government would NOT be able to repay Texas its money.

Sylvia warned that Gov. Richards and Jane Hickey are anxious to NOT have the White House berate Hazel over the meeting, since they must continue to work with Energy. Ann, however, "couldn't wait to get out" of the hour-long meeting. Sylvia contrasted the meeting with Hazel with Ann's meeting with the President over the SSC. Ann related to Sylvia that the President "knew every nuance of this effort" and made a real commitment to help. Ann came away from her visit with the President very encouraged.

What meeting

Ann and Jane had hoped the meeting with Hazel would be principals only, thus didn't bring Sylvia, for example. Energy, on the other hand, had a roomful of people who were there to reinforce the message that Energy wouldn't be able to pay Texas all the money it wanted, Sylvia said. Be advised that Rich Rosenzweig, Hazel's chief of staff, had a very different read on the meeting. He said the meeting went well, that Hazel stressed how critical it was to get Texas its money back, etc.

I am meeting with Dr. Jack Gibbons this afternoon to enlist his help in coming up with ongoing science projects at the Waxahachie site. Sylvia is excited about this, and has asked me to help her set up a meeting with Gibbons, which I will do.

Attached is a Dallas Morning News article from this morning about Ann's comments on the SSC after yesterday's meetings.

White House

Richards lobbies in DC for crime, collider cash

By Wayne Slater
Austin Bureau of The Dallas Morning News

WASHINGTON — Texas Gov. Ann Richards lobbied Tuesday on Capitol Hill in search of federal money to fight crime and to recoup the state's investment in the Superconducting Super Collider.

Ms. Richards, joined by several Texas police chiefs, told Sen. Joseph Biden they support a proposal to add 100,000 police officers — but not at the expense of existing anti-crime programs. Mr. Biden, D-Del., is chairman of the Senate Judiciary Committee.

"While they are up here pounding on their chests about how tough on crime they are, I don't want them to actually do something that could jeopardize the fund for law enforcement in Texas," she told reporters at a news conference outside Mr. Biden's office.

The governor said one proposal pending in Congress would pay for additional police officers with money now used for drug-interdiction programs.

Arlington Police Chief David Kunkle, who accompanied the governor, applauded the idea of putting more police on the streets, but he warned that one proposal being considered requires that the money go to hire and train new officers. Chief Kunkle said he favored giving local authorities the option of using some of the money to pay overtime for existing officers.

"It would allow us to put officers on the streets immediately," he said. "We wouldn't have to do the additional training, equipment and everything else."

For her part, Ms. Richards said federally funded drug-interdiction efforts in Texas have been responsible for apprehending 68,000 people and confiscating $2 billion worth of drugs in Texas since 1987.

Joining the governor were Doyne Bailey, director of the governor's criminal justice division, police Sgt. Jim Spivey from Dallas and police chiefs from Austin, El Paso, Midland and Richardson.

Later, Ms. Richards met with Energy Secretary Hazel O'Leary to discuss how Texas can be reimbursed its investment of approximately $400 million in state funds for the collider, which was killed by Congress.

The governor expressed frustration over the slow progress of negotiations with the federal government.

"Getting this place to move up here is just like carrying a whale over a mountain," said Ms. Richards. "Once you get one person approved, it turns out there is some other stipulation that some other agency has to talk about and then another agency and so on."

The state's position is that the federal government should reimburse Texas for the full amount it put into the project and should maintain funding for a coterie of scientists to put the site to some scientific use.

"We know there are other uses for it," she said of the site near Waxahachie. "And we think if they keep some of those scientists on board, those scientists will help them with that determination."

Ms. Richards, who stayed overnight in the Lincoln Bedroom at the White House on Monday at the request of the president and first lady, said she discussed collider funding with Mr. Clinton at breakfast Tuesday morning.

According to Richards aides, the president indicated he would intervene to encourage the energy agency and federal lawyers to speed up their consideration of Texas' request.

Staff Writer Anne Marie Kilday in Washington contributed to this report.

THE PRESIDENT HAS SEEN 2/4

DREW PLAZA MOBILE HOMES, INC.

P. O. Box 740 • Telephone 367-5328 • East Gaines St.
MONTICELLO, ARKANSAS 71655

2-1-94

TO: Hal Honeycutt fax#327-7151

From: Betsy T. Smith

RE: Our conversation this afternoon regarding my customer Diane Boykin, #25 Country Mobile Home Court, Monticello, AR. 71655 (367-1930)

On December 6th, 1993, I sold Diane Boykin a manufactured home. She had been renting a 2 bedroom apartment at TurtleCreek Apartments in Monticello for $250 a month with her two children ages 10 & 12. FmHA took these apartments over and refurbished some of them. Diane was told that her rent would be raised to $485 a month. Diane is a single parent and works the night shift at Burlington Mills making about 1,300 per month. Since she holds a steady job, she doesn't qualify for any of the rental assistance programs that are filling the apartments. Thank goodness the manufactured housing industry exists with safe, affordable and desirable housing. Diane is now living in a 1200 sq. ft. manufactured home that she purchased from my dealership. After making a 2,500 down payment she is living the"American Dream" of owning her home for a monthly payment of only $252 on a 15 year payout.

This is only one of thousands of stories with manufactured housing resulting in a happy ending. It does seem a real anomaly though, that our government would support a program that forces people like Diane and her children out of rental property while at the same time appearing to want to over-regulate our industry at such a great cost that our homes become a non-affordable dream to those very people who are being displaced.

Thanks for listening.

Betsy

Cisneros
worth reading
but - does seem
bizarre

2/4

THE PRESIDENT HAS SEEN

MACK MCLARTY

[redacted]

Feb. 3, 1994

To: The President

94 FEB 3 A11:11

In response to your inquiry see attached note from Paul Toback.

Mack

I've worked hard
w/ Cabrera - we need to
work out if Ross ~~[illegible]~~
~~[illegible]~~ has Davis talking
to Maria? Jorge Perez?
Chris Smith might have
influence - this is
important
B

[redacted]

[redacted]

THE PRESIDENT HAS SEEN 2/4

THE WHITE HOUSE

WASHINGTON

[redacted]

February 2, 1994

MEMORANDUM FOR MACK McLARTY
FROM: PAUL TOBACK
SUBJECT: PRESIDENT'S CONCERN ABOUT THE CUBAN AMERICAN PROBLEM WITH THE STATE DEMOCRATIC PARTY IN FLORIDA

The President sent you the attached memo from Maria Rodham detailing her concerns over former Florida Democratic Party Chairman Simon Ferro possibly being thrown out of the party for violating the "loyalty oath".

[redacted]

She was also concerned that the Miami Herald reported that Ferro's chief accuser, party Vice Chairman Jon Ausman said that the Cuban American vote is too small to significantly affect statewide races.

David Wilhelm, is currently in Florida meeting with Cuban American supporters. He issued a statement repudiating the Miami Herald report that the Cuban American vote is not important (see attached). Wilhelm is trying to broker a solution before the February 5 party trial.

I will keep you informed as things develop.

[redacted]

THE PRESIDENT HAS SEEN 2/4

Memorandum To: Paul Toback
From: Martha Phipps
Date: February 1, 1994

Attached please find the Chairman's statement on the importance of the Cuban American vote to the Democratic coalition that we released on Monday.

As we discussed, the Chairman is in Florida and will be there through Thursday afternoon. Fortunately, we had already been scheduled to have breakfast with Cuban American supporters in Miami on Thursday morning. The Ferro/Ausman controversy prompted us to schedule a private meeting with a smaller group of supporters, followed by a press briefing. I believe that we should move forward with this schedule.

Obviously, what we need to do between now and Thursday morning is decide what David should say. I have not been able to talk with David to give him the latest information, but I am planning to make him aware of the following:

- Many Cuban American leaders, including Simon Ferro, are calling for Jon Ausman's resignation from the Democratic Party.

- The Florida Democratic Party Chair, Terrie Brady, is planning to remain neutral in this matter.

- Simon Ferro is comfortable with both the Florida and the National Democratic Parties remaining neutral in recognition that this is not our battle.

Minyon Moore and Craig Smith are monitoring the politics here at the DNC, David will most likely will talk to people on the ground in Florida, Kiki Moore is working on the press, and we are planning to send Ana Carion, a member of our communication staff who is bilingual, to Miami for the event. And, of course, we have been communicating with Reta Lewis in the White House Political Department.

We will give you an update tomorrow.

Democratic News

Democratic National Committee

FOR IMMEDIATE RELEASE
JANUARY 31, 1994

CONTACT: CATHERINE MOORE
ANA CARRION
202/863-8020

STATEMENT BY DEMOCRATIC NATIONAL COMMITTEE CHAIRMAN DAVID WILHELM

"Cuban-Americans are an important constituency for this Party and represent a growing percentage of Democrats. During the last Presidential election, support for the Democratic ticket increased 15 percent in the Latino community in Dade county alone and 5 percent statewide from 1988. Health care reform, pro-small business policies and support for Cuban democracy -- are among the numerous Democratic policies which benefit Cuban-Americans.

Recent statements in the Miami Herald by Leon County Chair Jon Ausman on January 29 do not reflect the commitment of the Democratic National Committee to the Cuban-American community. Further, the statement does not reflect the tireless efforts invested in the development and expansion of relations with Cuban-Americans by the Florida State Democratic party. Florida State Chair Terrie Brady's persistent efforts to build on the foundations set by former State Party Chairman Simon Ferro emphasize party dedication to this constituency.

Make no mistake, the Cuban-American community is important to our coalition. The Democratic National Committee has and will continue to work to earn the support of Cuban-American voters across the country."

-30-

DRAFT

FOR IMMEDIATE RELEASE
FEBRUARY 1, 1994

CONTACT: APRIL MELLODY
ANA CARRION
202/863-8020

DNC CHAIRMAN DAVID WILHELM TO MEET WITH CUBAN-AMERICAN LEADERS

PRESS AVAILABILITY TO FOLLOW

Democratic National Committee Chairman David Wilhelm will meet with leaders from the Cuban-American community in Miami on Thursday, February 3. The meeting highlights importance of the Cuban-American community to the Democratic coalition.

A press availability will follow.

What: Press availability with DNC Chairman David Wilhelm following meeting with Cuban-American leaders

Where: Parlor 205, the Sofitel hotel
Miami, Florida

When: 10:30am

-30-

BREAKFAST WITH CUBAN LEADERS

The Chairman is scheduled to meet with Cuban leaders in Miami on Thursday, February 3 at 9:45 am at the Sofitel hotel. A press availability will follow at approximately 10:30am. The meeting and press availability were organized in order to provide an opportunity to further address recent statements by State Party Vice-Chair/Leon County Chair Jon Ausman. (See attached article)

Note: Cuban leaders are currently calling for Ausman's resignation and we have received press calls asking for the Chairman's comment.

A copy of the Chairman's statement (also attached) was sent on Monday to the Miami Herald, some statewide press and all Hispanic press in Florida.

Organizations to attend the meeting and press availability are :

Democratic League of Dade County

Cuban American Democrats

Dante Fascell Democratic Club

Democrats for Democracy in Cuba

Hispanic Women's Democratic Club

Northeast Democratic Club

THE PRESIDENT HAS SEEN 2/1

LAW OFFICES

SIEGFRIED, KIPNIS, RIVERA, LERNER, DE LA TORRE & PETERSEN, P.A.

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MARIA VICTORIA ARIAS
DANIEL DAVIS, P.E.
JAMES F. HARRINGTON
ELISABETH D. KOZLOW
H. HUGH McCONNELL
SAMUEL A. PERSAUD

OF COUNSEL

TESCHER, LIPPMAN, VALINSKY & KAIN
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FILE NO.

REPLY TO:

Mack/BL
Maria
work on Ferro
problem
B

FAX TRANSMITTAL SHEET

TO: HILLARY RODHAM CLINTON
FAX #: 1-202-395-4198
PHONE #: 1-202-456-7064

FROM: MARIA VICTORIA ARIAS RODHAM
FAX #: (305) 443-3292
PHONE #: (305) 442-3334
FILE #: Private Line At Work (305) 442-4718

RE: **SEE ATTACHED MEMO & NEWSPAPER ARTICLE**

MACK/BL.
WORK ON
FERRO PROBLEM
B

DATE: January 29, 1994
TIME: 10:33 am
NUMBER OF PAGES TO FOLLOW:

Pam
to Assist
d tany
Get it
d ~

MESSAGE: Please read the attached memo and newspaper article. This is not good.

Would it be in the best interest of the President for me to appear at this "party trial"?

Cuban Amer Democrats - Thurs morn. 3rd

SENT BY:SIEGFRIED,KIPNIS ; 1-29-94 ;10:37AM ; 305-443-3292→ 2023954198;# 2/ 4

LAW OFFICES

SIEGFRIED, KIPNIS, RIVERA, LERNER, DE LA TORRE & PETERSEN, P.A.

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FILE NO.

REPLY TO:

MEMORANDUM

TO: DAVID WILHELM --- DNC

FROM: MARIA VICTORIA ARIAS RODHAM Maria

DATE: January 29, 1994

RE: SIMON FERRO

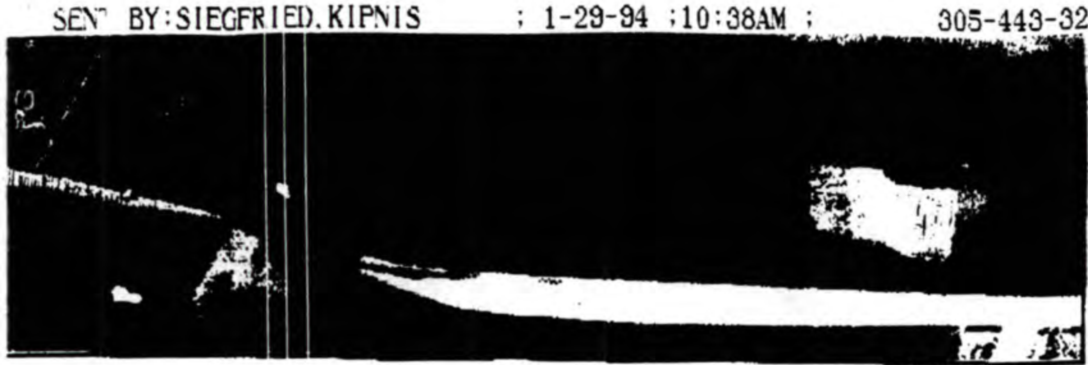
I thought you should see the attached newspaper article pertaining to Simon Ferro. The Vice Chair for the State Democratic Party was quoted in the paper as stating that the "Cuban American vote" is too small to significantly affect statewide races.

I need not have to describe to you how difficult it is going to be for me to answer questions pertaining to this issue when I appear on the Cuban/Hispanic radio shows and television. As a matter of fact, I have one this week with one of the toughest interviewers.

Although there may be a technical violation of the "party rule", this February 5th party trial has far reaching implications. How dare Mr. Ausman insult the Cuban American vote by saying that it is "insignificant". THIS IS TOTALLY CONTRARY TO WHAT THE PRESIDENT OF THE UNITED STATES HAS REPEATEDLY STATED ABOUT THE CUBAN AMERICAN VOTE.

Also, you will note that no one from Dade County filed the complaint.

Please David, if anything can be done.... do it!!!



KRT Photo Service

moving the body of ... Rising Sun Baptist Church. Vencent Acey, 42, and John J. Redmond, 41, died while trying to control the blaze. At least eight people were injured.

...o rein in market abuses

...arketeers have pounced on reforms to ...der the guise of legitimate peddlers.

...olicy, called for "a ... black-market trad- ...ve tried to blend in ... independent" work-

... Rebelde journalist ... the sale of black-market hamburgers and buns in the eastern city of Santiago even suggested that "a raid should be carried out block by block, where everyone knows who is who" to punish those who have stolen goods from state shops and warehouses.

But President Fidel Castro himself has acknowledged that self-employment is almost impossible to control through increased police efforts alone because of the sheer numbers of people involved.

The reform is beginning to pose a dilemma for Cuban authorities. On one hand, they

PLEASE SEE CUBA, 8A

...ers were cold blooded murderers or long-suffering victims of abuse within their family's gated estate.

Superior Court Judge Stanley Weisberg declared a mistrial in the case of Lyle Menendez, 26, officially ending the six-month trial. A separate jury for brother Erik, 23, was declared deadlocked two weeks ago in the Aug. 20, 1989, shotgun slayings of their wealthy parents.

Prosecutors immediately promised to try the Beverly Hills, Calif., brothers again.

The trial, broadcast live to a nationwide television audience, was dominated by a bold defense, which insisted that the brothers killed in fear after years of being raped and molested by their father, Jose Menendez.

That defense transformed the jury deliberations, dividing both panels into rival camps — believers and skeptics. Jurors said their weeks of debate took on a nearly religious fervor at times.

Records unsealed Friday showed the juries were split almost precisely in half on most counts, with those skeptical of the brothers' stories pushing for murder convictions, while the believers held out for lesser manslaughter convictions.

"There was basically a war,"

PLEASE SEE MENENDEZ, 32A

...reet Causeway

PETER ANDREW BOSCH / Miami Herald Staff

WELCOME: Bird hospital volunteer Wendy Fox picks ... three brown pelicans sent from Virginia to Miami.

Democrat could lose posts over party loyalty oath

By TOM FIEDLER
Herald Political Editor

When Coral Gables lawyer Simon Ferro stepped aside as chairman of the Florida Democratic Party in 1992, he got a banquet in his honor, pats on the back and a sheaf of customary accolades.

Now, if some of his fellow Democrats have their way, he may get the boot.

Ferro, one of the most prominent Cuban-American Democrats in Florida and the nation, is accused of being the partisan equivalent of a traitor for supporting Miriam Alonso in the Miami mayoral race.

At a party trial scheduled Feb. 5 in Orlando, he could be stripped of his seats on the Democratic National Committee and the state Democratic Executive Committee, the party's two policy-making arms.

"He gave his word; he broke it, apparently," said Jon Ausman of Tallahassee, the party's vice chairman and Ferro's chief accuser.

The charges are rooted in the Democratic Party's loyalty oath, which prohibits a party officer from supporting "any non-Democrat against a Democrat" in any election other than the judiciary. The oath was adopted years ago to punish those Democrats who in the 1960s had publicly endorsed Republican presidential candidates Barry Goldwater

PLEASE SEE FERRO, 33A

10029

77785 13333

Democrat faces possible discipline over party loyalty

FERRO, FROM 1A

and Richard Nixon.

The Republican Party also has a loyalty oath, but it applies only in "general elections" for partisan offices. It doesn't address nonpartisan races.

In recent years, the Democrats' oath has been used to discipline leaders who backed Republicans in state legislative races.

But the oath also applies to nonpartisan city elections — the obscure point where Ferro ran into trouble.

In last fall's Miami mayoral race, Ferro supported and contributed heavily to the campaign of former Commissioner Alonso, a registered Republican, against the eventual winner, Steve Clark, a registered Democrat.

Ferro declined to comment publicly about the charges, saying he thought it improper to try the case in the news media. But in interviews during the campaign, he said he had endorsed Alonso, a longtime family friend, before Clark entered the race.

At that point, there was no conflict with the oath. Once Clark got in, however, Ferro said he was put in the position of choosing between breaking his commitment to a friend or abiding by a partisan oath that had no bearing in the campaign and seemed irrelevant to the race.

Indeed, neither Alonso nor Clark have been more than peripherally involved in party activities during their careers. In 1989 Clark, then mayor of Dade County, publicly endorsed Republican Ileana Ros-Lehtinen in her congressional campaign against Democrat Gerald Richman, saying "political parties don't have any influence in my mind."

It is irrelevant, said Ausman, that neither candidate's party affiliation appeared on the ballot

'There is tremendous potential harm if somebody prominent violates the oath.'

JON AUSMAN,
Ferro's chief accuser

INTERNAL BATTLE: Coral Gables lawyer Simon Ferro.

Ausman sent a letter to other party leaders informing them of Ferro's backing for Alonso and citing the loyalty oath's provisions.

"Regardless of how we may feel about Mr. Ferro, and regardless of past service, a violation of a sworn oath of loyalty is a serious issue," he wrote.

State committeewoman Nancy M. Dick of Wauchula, also a DNC member, notified party Chairwoman Terrie Brady in late December that she was going to pursue the charge at the party's Jan. 22 meeting. She called for Ferro to be kicked off the DNC and suspended from the state executive committee — a virtual banishment from the circles of power.

Brady, whom sources have described as reluctantly moving ahead, referred the complaint to the party's Judicial Council, which set the trial date. She said she felt she had little choice.

"Simon is a very notable, very respected leader in his community and among a lot of voters," she said in an interview this week. "But he also signed a loyalty oath and that can't be ignored."

Some party strategists fear that prosecuting Ferro as a party traitor could come back to haunt the Democratic ticket in future elections.

President Clinton went out of his way in the 1992 campaign to woo Cuban voters, winning more than 20 percent of their votes — nearly three times that of the Democrat in 1988, Michael Dukakis.

"If Simon is humiliated by the party, that'll kill everything and I wouldn't be surprised to see the White House write off Florida for 1996," the consultant said.

Ausman disagreed, arguing that the Cuban-American vote is too small to significantly affect statewide races. And at least one voice within the community appeared to back the inquiry.

"I will defend the [party] for any action it takes," said Randolph Espinet, president of the Cuban American Democratic Council, which backed Clark. "A violation of an oath is a very serious matter in any community."

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Dem are cc want care sy guessi and as licans crisis.

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or was even a factor in the race. Nor does it matter that no Democrat has ever been charged under that provision before.

What matters, he said in an interview, is that Ferro knew the rules and he didn't follow them.

"There is tremendous potential harm if somebody prominent violates the oath," said Ausman, chairman of the Leon County Democratic Party in Tallahassee. "There can be no high or low justice, as there was in medieval days; there should be no favoritism because of who he is."

On Nov. 18, after nobody in Dade County was willing to act.

DON BAILEY

THE PRESIDENT HAS SEEN 2/4

Chairs - what can we do about this

B

Drug Raid Uncovers 19 Children in Squalid Chicago Apartment

By DON TERRY
Special to The New York Times

CHICAGO, Feb. 2 — When Police Officer Patrica Warner walked through the front door of a tired two-flat building here on Tuesday night, she thought she was stepping into a crack house.

What she discovered was worse.

Sitting on the cold floor, next to a struggling radiator, were two toddlers in dirty diapers, sharing a neck bone with a dog.

Scattered throughout the rest of the filthy two-bedroom apartment, buried beneath blankets and dirty clothes on the floor or crammed on top of two soiled mattresses, were 17 other children, ranging in age from 1 to 14. One of the three adults in the apartment at the time was found sleeping alone on a king-sized bed.

"I was in shock," the veteran officer said today. "We just kept finding kids when we pulled the blankets up."

No drugs were found in the squalor but Officer Warner and her partners had stumbled onto what one child-protection advocate said today was the largest case of child neglect he had ever seen in Chicago since entering the field in 1968.

"We've had 12, 11, 8 kids taken from a house like this before," the advocate, Patrick T. Murphy, said today. "The number is unusual but the scenario is a daily occurrence. That's the real story. That's the real tragedy."

Scared and hungry, the children were away by the police from the first-floor apartment on the city's struggling West Side, where stories of hardship and heartbreak seem commonplace.

But this story was hard for even longtime residents to understand.

"Everytime you think you heard the worst, you hear something even more terrible," said 57-year-old Juanita Johnson. "Lord, how do babies make it today?"

The 19 children, the offspring of at least four sisters in their 20's who lived together at the roach-infested apartment, were fed, hugged, treated and released into the custody of a state agency, itself under increasing scrunity for its handling of other child neglect and abuse cases.

But one of the children, a 4-year-old boy remained in the hospital today as doctors and the police continued to examine what appeared to be cuts, bruises, belt marks and cigarette burns up and down his body. In the words of one police officer, still angry at what he had seen the night before, "It's clear the boy didn't have a normal childhood."

The sisters, the father of one of the children and another man living at the apartment, were charged today with child neglect. The police are planning to question another sister, the mother of two of the children. She was not at home because was in a hospital, giving birth to her third child.

The police arrived at the apartment at 219 North Keystone Avenue about 11 P.M. after receiving complaints that someone was selling drugs from a broken front window. Neighbors said today that drug dealing was a common way of life on the block and in the poor neighborhood, itself a victim of neglect.

The neighbors said drug dealers often conducted their business in front of 219, stepping inside to warn their hands or to avoid the police. The officers, the residents said, only occasionally bother to cruise past.

No crack was found, but plenty of child neglect was.

"But the building itself isn't a dope spot," Andrell Hickman said from his stoop across the street. "The whole area is a dope spot."

The police said that when they knocked, one of the sisters, Maxine Melton, 26, whose name is on the lease of the $380-a-month apartment, opened the door and let them in.

The police said they had to step over rat droppings and piles of dirty clothes and walk past gapping holes in the walls and a broken toilet to get to the kitchen. The kitchen stove did not work and the inside of the refrigator looked like the aftermath of a food fight, the police said.

Today, trash was still all over the floor and food was crusted on the shelves of the refrigerator. There was nothing anyone could eat.

Shemond Johnson, 21, a cousin, said the only reason the sisters and their 19 children lived in the apartment together was because three or four of the sisters had been burned out of their own home two months ago. The sister's mother also lived there.

"They love their kids," Ms. Johnson said. "They were never mistreated. And they was always telling the drug dealers to get off the porch."

A spokeswoman for the Illinois Department of Children and Family Services, Martha Allen, said three of the mothers and their children had been investigated by the agency last year. One case involved a baby boy born with drugs in his system; another involved a sister with five children who was charged with inadequate supervision and the third was a case of abuse.

Agency investigators went to the apartment three times and were told by someone that the families no longer lived there. Ms. Allen said the agency has started an internal investigation into how the case was handled.

Nationally, 2.5 million cases of child neglect are reported annually, according Diane Geraghty, the director of the Loyola University Civitas Child Law Center in Chicago.

She said the problem is made worse because agencies that are supposed to care for and protect abused and neglected children are falling apart, overwhelmed by case loads and lack of money. "We have a child welfare system that is in meltdown," she said.

The children taken out of the apartment on Tuesday night seemed to sense that. As they were being carried through the cold toward the fleet of police cars waiting to take them away, they asked for food and then they asked for love.

Officer Warner said one child pleaded with her: "Would you be my mommy? Would you take me home?"

An hour later, their parents sat in handcuffs in a police station. All of them were sound asleep.

THE NEW YORK TIMES, THURSDAY, FEBRUARY 3, 1994

95

19 Children Found Living in Squalor in Chicago Apartment

By Megan Garvey
Special to The Washington Post

CHICAGO, Feb. 2—Police officers investigating a drug tip early today found 19 children, ranging in age from 1 to 14, living in a litter-strewn, cockroach-infested apartment where they ate scraps of meat off the floor.

Police said that when they entered the two-bedroom apartment on the city's West Side they found the children huddled together on the floor and on mattresses, some sleeping in their underwear or in diapers. Dirty clothes, food and filthy diapers were scattered across the floor of the apartment. No drugs were found, police said.

"I was in shock," officer Patricia Warner said at a news conference. "We kept finding kids under blankets and eating off the floor. It's something you wish you'd never seen, especially with all the kids there."

Police said two adults were in the apartment when they arrived. While the children slept stacked on top of each other, a man slept alone on a king-size bed, according to the police.

Other adults arrived at the apartment while police were there. Late today, seven adults had been arrested, including four mothers, a father and an uncle, police said. Authorities were discussing what charges would be filed. One mother living at the address gave birth this afternoon.

Late in the day, 18 of the children were in the custody of the state's child welfare agency, which was attempting to notify relatives of the children and looking for foster families. One child, a 4-year-old suffering from cerebral palsy, was admitted to the hospital.

This was the latest in a series of child abuse and neglect cases that have gained attention in Chicago in recent months. A mother was charged earlier this week with murder in the death of her 3-month-old daughter.

The state's Department of Children and Family Services (DCFS), as well as private agencies under contract to deliver social services, have drawn criticism in some cases where children were injured and killed after social workers had investigated abuse or neglect complaints but allowed children to remain with their parents.

State child welfare workers had been involved with three of the six families living in the apartment where the 19 children were found, DCFS spokeswoman Martha Allen said. One complaint was filed against a family with two children when a crack-addicted baby was born to the mother. A second family, with five children, was investigated for inadequate child supervision. The third family, with three children, were investigated after a complaint of inadequate child supervision and child abuse. DCFS officials investigating that family went to the apartment three times.

"Each time, the official was denied access," Allen said. "No one from DCFS ever stepped into that apartment."

The department initiated an internal investigation this morning into whether its workers should have pursued the allegations further, Allen said.

Neighbor Debra Wright, 27, said that when she was in the apartment months ago, "I had to step over dog feces and babies to fix a running toilet." Wright said she had called police about drug activity in the apartment several times.

Landlady Chris Kostner, 57, said the families were far behind in paying the $380 monthly rent for the apartment.

After the children and adults were removed, reporters toured the rooms of the squalid apartment. The dark green walls were cracked and chipped, water dripped into a black-stained bathroom sink and cockroaches ran across the tile floor.

The childrens' beds were sheetless and stained. Urine- and excrement-filled diapers were compressed in the corner with dirty laundry and empty candy wrappers.

A rusted, unusable stove stood in the corner of the kitchen. The pantry was lightly stocked with cans of corn, Kool-Aid packages and large containers of lard. In the refrigerator, moldy bowls of spaghetti sat on the top shelf. No food appeared edible.

Wright said one woman in the apartment had refused assistance when Wright tried to bring food to a child who had told her he was hungry.

"She told me, 'My kids aren't hungry. I feed them every day,' " Wright said. "After that, the little boy wasn't allowed to come see me."

CORRECTIONS

An article in last Sunday's Outlook entitled "DARE Scare: Turning Children Into Informants?" provided several examples of children who reported suspected parental drug use to authorities. The story incorrectly stated that the case involving the child Darrin Davis was complicated by evidence that his parents were involved in drug trafficking. The authorities had no such evidence. The parents were charged only with possession, and those charges were subsequently dropped. The error resulted from an editorial change that was not discussed with the author prior to publication.

An incorrect time was listed in last Sunday's Show section for the performance of pianist Carlos Cesar Rodriguez at the University of Maryland. He will perform Mozart's complete piano sonata cycle today at 8 p.m.

An art review yesterday misidentified the painter of "The Last Moments of John Brown." It was painted by Thomas Hovenden.

An article in some editions Tuesday misidentified the business where a robbery and fatal shooting occurred in Silver Spring. It is American Mail Box Etc in the 7800 block of Georgia Avenue.

Thursday, February 3, 1994 The Washington Post

Koresh 'Wife' Details Chaos in Standoff at Branch Davidian Compound

By Sue Anne Pressley
Washington Post Staff Writer

SAN ANTONIO, Feb. 2—Kathryn Schroeder says she was one of David Koresh's "multiple wives." During the Branch Davidians' 51-day standoff with federal authorities, she kept her comrades supplied with ammunition.

Now, she is the prosecution's star witness in the murder and conspiracy trial of 11 of her former friends.

Schroeder, 31, began her long-awaited testimony today about the tense, chaotic days inside the compound, beginning Feb. 28 when a botched weapons raid ended in a shootout and the deaths of four federal agents and six cult members.

In a clear, almost dispassionate voice, she told how she asked for, and eventually received, Koresh's permission "to finish off" a cult member who was severely wounded in the shootout. She also described her reaction to the news that her husband, Michael, had died on Feb. 28, in a later firefight with agents in a ravine behind the compound.

"He beat me to heaven," she said.

Schroeder described how the cult had been instructed to commit mass suicide four days after the shootout, and that one plan called for her to pull the pin on a hand grenade and kill herself and four other women. She was unsure, she said, if she could perform the job.

"I was asking them, 'What are we going to do if I can't?' " she said. "And [the women] were reassuring me that I could."

[...] he had received a vision from God. "God told David that we had all messed up and if we had all died then, we would have gone to hell because of our sins after the raid," Schroeder said.

Those sins included drinking, smoking and eating junk food.

The standoff that began Feb. 28 ended April 19 when an immense fire swept through the compound, a fire the federal government contends was part of a mass suicide plan.

Discovered in the ruins were the bodies of Koresh, who was shot in the head, and as many as 80 followers.

Schroeder left the compound during the siege, on March 12, when Koresh, displeased because she had been smoking cig-

Her children had left Feb. 28. In September, she accepted a plea bargain in exchange for her testimony against the other defendants, pleading guilty to one count of forcibly resisting a federal officer.

The charge carries a sentence of up to 10 years. The Branch Davidians on trial face possibility of life in prison without parole.

A former Air Force communications specialist and a Florida native, Schroeder said she and her second husband, Michael, and her four children began living at the compound outside Waco in August 1989. They had met one of Koresh's chief lieutenants, Steve Schneider, at a Miami church and were soon fascinated with the Branch Davidian Bible studies.

[...] riages were kept" and that "all women belonged to David"

In the final year there, she said, Koresh became increasingly certain a confrontation with "the beast" was coming soon. She said a .50-caliber automatic weapon was nicknamed, "The Bear."

She also said Koresh vowed in 1992 "we're going to enjoy this last summer we have," and purchased an assortment of go-carts and motorcycles.

With her testimony, Schroeder placed a gun in the hand of each of the 11 defendants.

Asked to identify several, Schroeder smiled warmly in greeting; most of the defendants smiled back. As he stood to be

THE WHITE HOUSE

WASHINGTON

February 3, 1994

The Honorable Thomas E. Brown
11th Judicial District of
the State of Arkansas
Post Office Box 9260
Pine Bluff, Arkansas 71611

Dear Thomas:

Thank you for your kind letter about the loss of my mother. My family and I are deeply grateful for your thoughts and prayers.

Thanks, too, for what you said about the State of the Union Address. I am enclosing a copy for you.

I share your concern about our children and about the increasing violence in our communities. We're working hard on both issues, and I appreciate all you're doing in Pine Bluff.

Again, thanks for writing. Please give your mother my best regards.

Sincerely,

Bill Clinton

cc Romo - good letter
Encl. [illegible]

1/28/94

Circuit/Chancery Court
Eleventh Judicial District — West
Fourth Division

Jefferson County Court House
P.O. Box 9260
Pine Bluff, Arkansas 71611

THOMAS E. BROWN
JUDGE

BOBBIE D. JONES, PLS, CCR
COURT REPORTER

DEBBIE HUBANKS
CASE COORDINATOR

TELEPHONE:
(501) 536-5167

COUNTIES:
JEFFERSON
LINCOLN

Dear Mr. President,

It seems like only last week that we were all in Washington celebrating and participating in your inauguration. The Arkansas avalanche that will probably not happen again for a long time – except in 1997 of course. The past year has brought so much change – so many things that have happened. I know that it has been a difficult year for you and your family with the passing of Mr Rodham, Vince Foster and your mother. I can only offer my sincere condolences and prayers – yet I understand only too well how such losses can be so devastating. We never get over them – only through them. This happened to me and my family in 1987 – losing my father, grandfather & grandmother. When some of the foundations in your life are removed, suddenly, it is as if your own life hangs in the balance. Friendship, trust, wisdom and love – all gone so quickly. And yet, so much remains – what we have learned from them and the memories we have. Those are the things that have created our character, our inner-self and they are things that will lead us onward. Cherish those memories, build on the values and integrity that you learned from them. It will serve you in good stead, I assure you. Continue to talk with them in your heart and mind - be comforted and confident in the fact that God lets them walk with you still on lifes journey. As I have learned over the past ten years - it is all right to cry. Sometimes that is hard for us (men) to do. But while there are tears of pain + remembrance, they are also tears of love + memory. As the months pass, keep them in your heart, for I know how much they gave you, how much you learned, how much they loved + cared for you and you for them.

I decided to write after I listened to your State of the Union address. It was excellent. While I am supportive of health care legislation, I am more concerned about the children. Each day, I sit and listen to the sadness, helplessness, anger, pain and, sometimes the callous indifference of children, parents, + relatives.

They are our future - and the future of our nation. It is to the next generation that we must dedicate our efforts. Remember all that your mother taught you - the values, the self-confidence, personal integrity, faith, hope + love. There is very little of that in so many families - yet you and I (and so many others) have it - treasure it. While this problem is a national one - it can only be solved locally. Our neighborhoods, towns + cities must be restored on a house by house, family by family, block by block basis. This must be done in each home, through the schools, supported and supplemented by the churches, held fast by local leaders and guided by caring, wise and loving people. This problem will only increase unless we start at the bottom - on the streets.

I have already had one eleven year old, several twelve year old and dozens of 13, 14 + 15 year old mothers. They have no idea how to raise a child. Some that are 16, 17 + 18 have two or even three children. While there is little hope found in them - there is also an attitude of indifference - bordering on apathy.

Frequently, it seems that the schools are just trying to get them passed on up, or kicked out. I find that we are changing our school curriculums + formats so that there is very little challenge - thus very little learning or knowledge - ~~and~~ much less satisfaction through accomplishment. I am fearful of where this split in educational formats might lead. Genuine alternative methods must be found and pursued.

We are all concerned about violent crime - juvenile violence especially. This stems from a total lack of respect for human life and the establishment of any values by parents in their children. No one cares for them - so why should they care for others. Unchecked aggression / anger leads easily to violent outbursts - coupled with the ease of getting firearms (usually by theft) and the power they offer - we will see a continued escalation in violent juvenile crime.

It is not so much the severity of the punishment - but that there will be some consequence, some punishment, for their actions. For over 100 years - we have always said - all juveniles need to be rehabilitated. There was very little "punishment" factor or "consequence of action" as part of that.

We must adopt a dual purpose - depending upon the facts and circumstances of each case. I am not a strong proponent of the idea of sending these kids to the state pen "as adults". This admits our failure. Some, because of what they have done, do need to be sent. What we have failed to do is - learn to make the proper distinctions, learn where to draw the line - or just how to draw the line. From your own experience here in Arkansas - the DHS views all delinquent juveniles as rehabilitatable - then after a few months - they are rehabilitated + so released. There are some who need to be incarcerated - even post age 18 - but not in a state pen. Again, it is not the severity of the punishment - but the fact that it will be administered, where appropriate, speedily, fairly + with certainty.

Use your 100,000 man army of police to work the neighborhoods, learn about the kids + families, help teach them values + integrity. Not just a show of force or a voice of doom.

Perhaps, I have gone on too long about all this. I wanted to tell you – and Mrs Clinton – how much I appreciate your efforts and how hard I know it has been. We often get ~~off~~ up on our soapboxes.

Again, my congratulations on a good first year, my condolences and my prayers for your losses. Keep in touch with those who elected ~~who~~ you – the people! They are the ones whom you must help – not the press or the politicians. We hope to visit Washington in late March – Easter weekend – maybe visit the White House – see Bill Kennedy. I wish you both the best – I would offer my services but I think they are needed here in P.B. My mother, Pat Brown also sends her regards – she remembers you back in 1978 coming to PB to seek support.

Yours Respectfully

Thomas E Brown

THE WHITE HOUSE

WASHINGTON

February 2, 1994

Theodore G. Kronmiller
961 Leigh Mill Road
Great Falls, Virginia 22066

Dear Ted:

Thanks for your letter and for your kind words. I appreciate your recommendation of Ambassador Robert Keating for appointment to a post within the Administration. I am pleased to have the benefit of your insight, and I have shared your letter with Phil Lader, Deputy Chief of Staff, for his consideration.

[redacted]

Again, thanks for writing. I hope to see you again soon.

Sincerely,

Bill

Thanks

Phil -
Ted is sharp - GOP for BC
should look into Keating

503

AP

THEODORE G. KRONMILLER

961 LEIGH MILL ROAD
GREAT FALLS, VIRGINIA 22066

January 4, 1994

President William J. "Bill" Clinton
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

It was a great privilege and pleasure to have a few moments to speak with you at a liftoff several weeks ago. My wife, Kate, and son, Ted, were delighted to be present to have a chat with you.

When we spoke at the liftoff, I was pleased to recall our first meeting at the home of Tom Siebert, in the very early days of your national campaign. During your remarks after dinner that evening, you referred to our conversation, and remarked that "even a former Reagan appointee" had decided to join the Georgetown group's effort on your behalf. You may possibly recall that it was also at Tom's house, only a few weeks after I had the honor of meeting with you and beginning my work with the F.O.B.'s, that Kate first met you.

Kate and I would like you to know that we have the deepest respect for your dedication to resolving the truly difficult issues confronting our great nation. We are profoundly impressed with what you are accomplishing against enormous odds.

Having served in the State Department, I am very mindful of the fact that you face challenges in the foreign policy arena that must be met with the highest caliber of professional judgment. With vast opportunities and unspeakable dangers confronting our nation and the world, your leadership comes at a time of unprecedented, historic importance.

It is with all of this in mind that I respectfully request you consider the contributions that could be made to your Administration by my longtime friend and colleague, Ambassador Robert Keating. Bob's experience in the foreign policy arena spans decades, and his accomplishments, both as an Ambassador of the United States and as United States Executive Director of the World Bank, rank him among the most able individuals to have served our government. Senior officials of several administrations, including your own, have relied upon Bob's experience and insight in addressing some of the most complex foreign policy issues. As chairman of the Third World Hunger Commission, author of the innovative Food for Progress Program, and architect of the

World Bank Environmental Pprogram, he has made profound contributions to our nation and the world.

I have made no other recommendations of individuals to serve in your Administration. I hope you will regard that as a measure of the sincerity and commitment with which I recommend Ambassador Keating for a post in your Administration.

With best regards,

Sincerely,

Ted Kronmiller

Theodore G. Kronmiller

January 1994

Ambassador Robert B. Keating

(Relevant U.S. Government Experience)

1970 - 1973: Director General of the Ministry of Public Works, Kinshasa, Republic of Zaire. Responsible for implementing large World Bank loans to rebuild the country's physical infrastructure. Received the Government of Zaire's highest award for his accomplishments.

1984: Chairman of the White House Third World Hunger Commission. Succeeded in speeding-up the delivery of emergency food supplies to starving populations in developing countries. Also conceived of the "Food for Progress" initiative to sustain market-oriented reforms in developing countries (The Food for Progress Program was enacted into law under the Food Security Act of 1985, and subsequently extended to 1995 under the Food Security Act of 1990).

1983 - 1986: U.S. Ambassador to the Democratic Republic of Madagascar and the Federal Islamic Republic of the Comoros. Succeeded in both countries in fostering private sector initiatives, and restarting of USAID programs. Received highest awards from both governments for accomplishments, as well as the highest performance rating ever given to an ambassador by the Inspector General of the Department of State.

1986 - 1989: U.S. Executive Director for the World Bank Group. As a member of the boards of executive directors of the IBRD, IDA, IFC and MIGA, Ambassador Keating initiated policy reform measures in World Bank lending programs to help privatize state-owned enterprises in member countries. Also played a major role in the creation of the Bank Environment Department to meet the environmental challenge of development. Also proposed and helped design the World Bank Food Security Program for Developing Countries which became an integral part of Bank structural adjustment lending.

1989 - 1993: Senior Consultant on Macroeconomic Issues, Department of State, Washington, D.C. (Ambassador Keating held a Top Secret Security Clearance for this assignment.)

January 1994

Ambassador Robert B. Keating

Relevant International Development Experience

1989 to present

Senior Adviser, International Affairs, Pepper, Hamilton & Scheetz, Washington, D.C. Ambassador Keating advises a number of American corporations on foreign investments, and the supporting role of international and regional financial institutions.
(1300-19th St., N.W., Wash., D.C. 20036)
(Tel: 202/828-1240 Fax: 202/828-1665)

1989 - 1993

Senior Consultant on Macroeconomic Issues, Department of State, Washington, D.C. (Ambassador Keating held a Top Secret Security Clearance for this assignment.)

December 1992, Accredited observer for the first multiparty elections held in Kenya on December 29, 1992.

1986 - 1989

U.S. Executive Director for the World Bank and Affiliates, Washington, D.C. As a member of the boards of executive directors for the IBRD, IDA, IFC and MIGA, Ambassador Keating initiated policy reform measures in World Bank lending programs to help privatize state-owned enterprises in member countries. He also play a major role in the creation of the Bank's Environment Department, and proposed and helped design the Bank's Food Security Program for Developing Countries which became an integral part of Bank structural adjustment lending. In order to inform American businessmen of World Bank operations, he convoked the first seminars ever held at the Bank for U.S. industrial and banking leaders to discuss Bank programs and projects of potential benefit to private-sector enterprises in member countries. The World Bank lending program is in excess of $20 billion a year, with 320 to 350 programs and projects in the lending pipeline at any one time. Ambassador Keating has a detailed understanding of bilateral and multilateral assistance programs, the GATT, European Community Accords, regional trade agreements (e.g., NAFTA), and a wide array of international and regional financial institutions.

1986

Senior Adviser, International Economic Affairs, Department of the Treasury, Washington, D.C. In this assignment, Ambassador Keating helped evaluate the U.S. foreign assistance program.

References:

Ambassador Herman J. Cohen, former Assistant Secretary of State for African Affairs. (Tel: 202/676-0834)

Mr. Patrick Dorinson, Corporate Affairs Director, Clinton-Gore Presidential Inaugural Committee. (Tel: 202/686-7562)

1983 - 1986

U.S. Ambassador to the Democratic Republic of Madagascar and the Federal Islamic Republic of the Comoros. In both countries, Ambassador Keating succeeded in fostering private sector initiatives and the restarting of USAID programs. He also took the lead in initiating the State/Defense review of the role of the United States in the Southwest Indian Ocean region. As acknowledgment of his accomplishments, he received the highest awards for public service from the governments of Madagascar and the Comoros, as well as the highest performance rating ever given to an ambassador by the Inspector General of the Department of State.

In 1984, Ambassador Keating was given the additional task of Chairman of the White House Third World Hunger Commission. He succeeded in speeding-up emergency food supplies to starving populations in various parts of the world, and in proposing and designing the "Food for Progress" initiative to sustain market-oriented reform in developing countries. (The Food for Progress Program was enacted into law under the Food Security Act of 1985, and subsequently extended to 1995 under the Food Security Act of 1990. Ambassador Keating received a Presidential Commendation for this accomplishment.)

Other relevant experience

1981 - 1982: Senior Adviser, International Security Affairs, Office of the Secretary of Defense, Department of Defense, Washington, D.C. (U.S. Delegate to the United Nations Conference on the Law of the Sea Treaty).

1970 - 1973: Director General of the Ministry of Public Works, Kinshasa, Republic of Zaire. Initiated by the World Bank with Mr. Keating responsible for implementing large World Bank loans to rebuild the country's infrastructure. Received the Government of Zaire's highest award for public service.

1969: Senior Adviser to the Taiwanese Council for International Cooperation and Development, Taipei, Taiwan.

1967 - 1960: Senior Adviser to the President of the Inter-American Development Bank, Washington, D.C., and author of the book, Regional Transportation and the Economic Integration of Latin America (published by the Bank in English and Spanish).

1964 - 1967: Director of the Chile-California Program of Technical Cooperation, Santiago, Chile. Responsible for implementing joint Chilean-American technical cooperation programs in agriculture, industry, water resources and education. Received Presidential Commendation for accomplishments.

1963 - 1964: Consultant, Economic Development in the Third World, The Brookings Institution, Washington, D.C.

1961 - 1962: Staff Economist, Department of Technical Operations, The World Bank, Washington, D.C. Responsible for evaluating the viability of development projects proposed for African countries.

(NB. Ambassador Keating is a qualified interpreter and translator of the French language which facilitated his assignments in Zaire, Madagascar and the Comoros. He also speaks Spanish.)

THE PRESIDENT HAS SEEN 2/4

THE WHITE HOUSE

WASHINGTON

January 31, 1994

MEMORANDUM FOR THE PRESIDENT

94 JAN 31 P7: 19

FROM: SUSAN BROPHY SB

SUBJECT: LETTERS TO MEMBERS OF CONGRESS

Attached are letters for your signature which respond to various letters from members of Congress.

Mack
make sure we follow up

The following is a brief description of each letter:

1) Blanche Lambert (D-AR), concerning issues in her district;

2) Wendell Ford (D-KY), concerning the use of recycled products;

3) John Tanner (D-TN), concerning U.S.-Japan Framework negotiations;

4) Ben Nighthorse Campbell (D-CO), concerning funding for child nutrition programs;

5) Marcy Kaptur (D-OH), concerning "runaway plants."

6) David Dreier (R-CA), concerning visit to Los Angeles;

7) Eddie Bernice Johnson (D-TX), thanking for comments about State of the Union address;

8) Bill Sarpalius (D-TX), thanking for comments about State of the Union address;

9) George Mitchell (D-ME), thanking for sharing letter by President Roosevelt;

10) Don Riegle (D-MI), birthday greeting;

11) Paul Sarbanes (D-MD), birthday greeting;

12) Don Edwards (D-CA), on his retirement;

13) Mitch McConnell (R-KY), acknowledging condolence note;

14) Deni Mineta, Norm Mineta's wife, condolence on the death of her father.

THE WHITE HOUSE

WASHINGTON

Dear Blanche:

Thank you for your letter concerning NAFTA -- its benefits and the need for follow-up -- and other projects in your district.

First of all, I want to thank you for supporting NAFTA. Our nation's prosperity depends on our ability to compete and win in the global economy. My main reason for supporting NAFTA is that it will be good for the competitive U.S. economy that we are trying to build. I believe that NAFTA provides important opportunities for expanded trade, investment, and the improvement of conditions for workers and the environment.

Now that Congress has approved the agreement and I have signed it into law, I can assure you that the Administration plans to monitor events carefully to ensure NAFTA's fair and full implementation. In addition to the 1997 report that you cite, there are a number of provisions in NAFTA that require oversight, monitoring, and reporting so that the agreement can be fully implemented. The Administration will work aggressively to enforce these and all other NAFTA provisions requiring all the countries to uphold their obligations.

Please be assured that we are working hard to reduce the impact of base closures on communities like Blytheville and Gosnell. The Department of Defense's Office of Economic Adjustment, the Air Force, and the base transition coordinator have been working closely with the Blytheville-Gosnell Airport Development Authority to develop a comprehensive re-use plan for the base. While the Administration encourages a wide array of possible future uses for the base, I am unaware of any closure and environmental clean-up training program that could be relocated at the base. The five-point plan for the economic revitalization of base closure communities that I announced on July 2, 1993, will go a long way to easing the impact on affected communities. Through accelerated clean-up and property transfers, we hope to give communities the tools they need to redevelop and diversify.

Regarding the possibility of locating an appropriate Coast Guard unit at Helena, I know staff from the Office of Management and Budget is working with you to examine the options and I understand that discussions to consider different options for

Helena are underway.

Improving life in rural communities is a high priority of the Administration. I proposed significant increases in rural economic development programs for FY 1994, which Congress supported, and I will continue to stress the importance of funding these programs in future budgets. Regarding the Mississippi Delta region specifically, I have been informed that USDA's Rural Development Administration (RDA) is beginning to explore how to implement some of the recommendations of the Delta Commission. RDA is also working to implement the lower Mississippi Delta Demonstration Project. This project is intended to improve targeting of resources and redesign rural development programs to better meet the needs of the recipients. Your continued involvement and feedback on how this work is progressing is deeply appreciated.

Finally, thank you for recommending E.B. Gee, Jr. and Jim Frazier for the important position of Assistant Secretary of the Army for Civil Works. Decisions regarding this position are still pending; however, your input is certainly appreciated.

As you so appropriately stated in you letter, "we are no longer ignoring the problems that face our country...we have chosen the often difficult course of addressing directly what needs to be done." I am encouraged by your continued support of my leadership through the tough decisions we have made and will continue to make. Thank you for letting me know some of the specific concerns of your district. I will do my best to see that my Administration is responsive to those needs.

Sincerely,

Bill Clinton

The Honorable Blanche M. Lambert
House of Representatives
Washington, D.C. 20515

THE PRESIDENT HAS SEEN 2/4

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

THE CHAIRMAN

February 3, 1994

94 FEB 3 P8:32

Marilyn — I was told [illegible] that Both figures would be published — what's the real?

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D. TYSON Laura D. Tyson

SUBJECT: Employment and Unemployment in January, Labor Department Release, Friday, 8:30 a.m.

Nonfarm payroll employment recorded a smaller than expected increase in January. Extremely cold weather apparently played a depressing role. The unemployment rate, based on the new Bureau of Labor Statistics survey, was 6.7 percent in January.

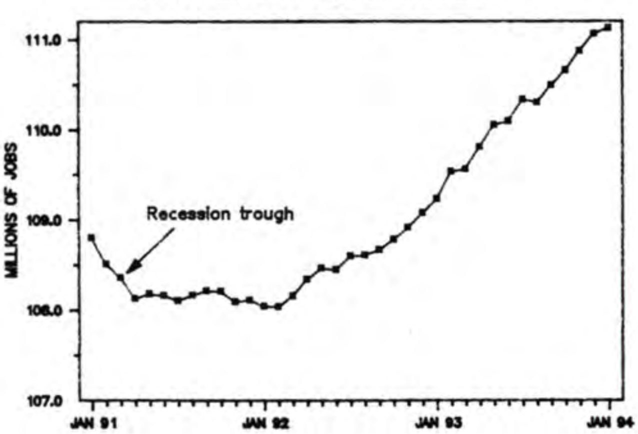
- o According to the payroll survey, 62,000 jobs were created in January--the smallest increase since last summer. Cold weather reduced jobs in such sectors as construction, eating and drinking establishments, and amusement services, in what should prove to be a temporary event.

- o Payroll employment increased by 1,843,000 jobs over the January 1993 to January 1994 period.

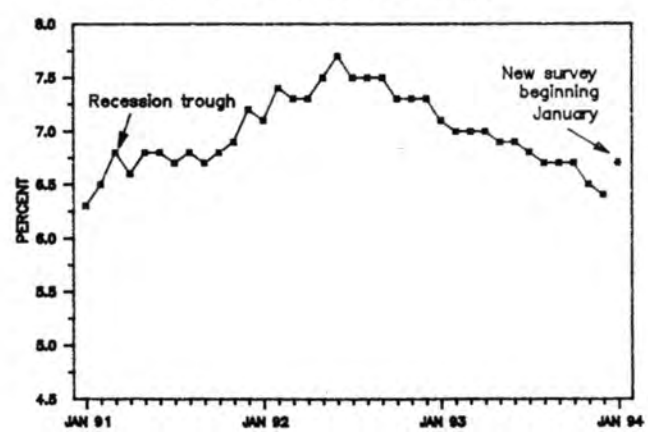
- o Because the January unemployment rate is based upon the new household survey, it is impossible to make a definitive comparison with the December rate. Measured on a consistent basis, the unemployment rate probably would have fallen 0.1 to 0.3 percentage point from December to January.

- o Average hourly earnings increased 0.7 percent in January, the biggest monthly increase in nearly 3 years. While generally good news for workers, such an increase could be an early warning signal of an uptick in wage inflation.

NONFARM PAYROLL EMPLOYMENT



CIVILIAN UNEMPLOYMENT RATE



Mack / GS
This is the piece
I mentioned - we should
do at least what RonB
[illegible]

Public & Private

ANNA QUINDLEN

A Woman Scorned

It's a sad but familiar story, the story of the discarded executive wife and the small family business of which she was once a part.

The division of labor was this: He would have an important job, leading to ever more important ones. And to make sure that this would be so, she would give dinner parties, care for their children and their home, participate in the right charities, construct a life of shared privilege and success.

And then he ditched her. Perhaps a new wife reaped the benefits of all the climbing. Perhaps she wound up with little more than a big house she could no longer afford to heat. In any event, the life she had known was kaput.

This is a variation on that story. But Lucille Stephenson Bloch is not a woman discarded by her husband, although the two have agreed to divorce. She was jilted by the United States of America, and she is madder than hell.

Mrs. Bloch, 58, was for nearly 35 years the wife of Felix Bloch, the former State Department official who, in 1989, was described in news reports as a spy for the Russians, one of the highest-ranking American diplomats suspected of espionage since Alger Hiss. Beginning with the evening when ABC led the news with a "re-enactment" of two men passing a briefcase full of secrets on the street, Mrs. Bloch's life as a private citizen disintegrated.

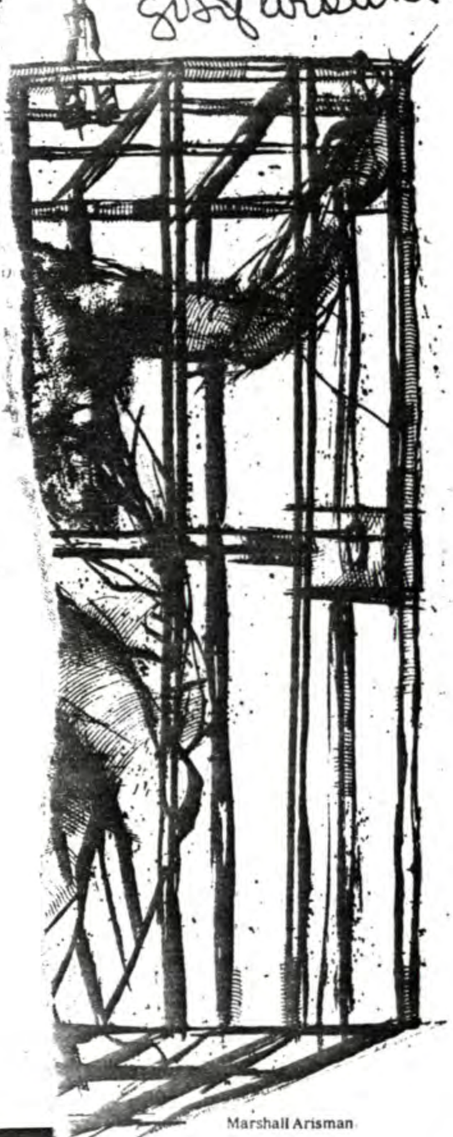
She and her husband were followed everywhere by F.B.I. agents and reporters. Her home was bugged, her phone tapped. By the time the Viennese hooker who said Felix liked rough trade weighed in, the case was such a circus that when the Blochs went to visit their daughter at her suburban home, neighbors watched from lawn chairs and children sold lemonade.

Restoring Lu Bloch's reputation.

Although she says she cooperated fully with the Government and knew nothing of any espionage, Lu Bloch lost many of her friends, as well as the job she'd found after the couple's return to the United States from Vienna. Although Felix Bloch has never been formally charged with anything, he lost his job and was stripped of his health benefits and pension. Most recently he has worked as a bus driver.

But what of his wife, who considers herself to have been an unpaid employee of the Government? Although she graduated from the School of Advanced International Studies at Johns Hopkins, Mrs. Bloch knew it was futile to pursue a career as a diplomat, not only because it was virtually impossible for a woman 35 years ago, but because of Felix's career.

So she followed him to Dusseldorf



Marshall Arisman

and gangs are considered normal.

At Delancey Street, on the other hand, Albert had to live cooperatively with others, learn to read, admit responsibility for the harm he caused, earn his keep and make restitution to society. Not everyone here succeeds, of course, but most do: graduates include realtors, contractors, a deputy sheriff and even a member of the San Francisco Board of Supervisors.

Every person "three strikes and you're out" puts behind bars would cost the taxpayers about $1 million (assuming a 35-year stay), and that is only the direct cost of building the cell and caring for the prisoner. We will also pay to support their children on welfare. Every person at Delancey Street costs the taxpayers nothing, and residents learn to care for their own children and pay their own taxes.

If building more prisons made our streets safe, it would merit a large investment. But it has failed to do so. In the last decade, California's prison population has increased 400 percent, its corrections budget 500 percent, yet violent crime is up 40 percent. No credible study concludes that more imprisonment means less crime.

We are no longer dealing with a few bad apples. Too many people are now too many generations into criminal behavior. Prison will not deter them, because they do not consider the consequences of their actions. They have been inculcated by abuse, violence and poverty at every level. This does not excuse their behavior; it intensifies the need to change it.

The only tough and smart response to crime is to break the cycle of it. The more responsible and productive people we can build now, the fewer prisons we will have to build later. □

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ner

How about a "New York is cooking" campaign for the next four years? Invite great chefs, and home cooks from all the neighborhoods, to make guest appearances. By the way, it's a waste of time to forage in Central Park for the herbs and wild greens and mushrooms that mavens hunt up. But otherwise use New York State products, especially wine, when possible.

Don't use the official city car to go to Balducci's. Big trouble. I know.

If you want to dodge nudniks who angle for invitations, tell them the only tables free are at 6 o'clock and 10.

Important: To relieve the dullness political heavies can bring to dinner, let Andrew eat with the grownups. □

street, Mrs. Bloch's life as a private citizen disintegrated.

She and her husband were followed everywhere by F.B.I. agents and reporters. Her home was bugged, her phone tapped. By the time the Viennese hooker who said Felix liked rough trade weighed in, the case was such a circus that when the Blochs

Restoring Lu Bloch's reputation.

went to visit their daughter at her suburban home, neighbors watched from lawn chairs and children sold lemonade.

Although she says she cooperated fully with the Government and knew nothing of any espionage, Lu Bloch lost many of her friends, as well as the job she'd found after the couple's return to the United States from Vienna. Although Felix Bloch has never been formally charged with anything, he lost his job and was stripped of his health benefits and pension. Most recently he has worked as a bus driver.

But what of his wife, who considers herself to have been an unpaid employee of the Government? Although she graduated from the School of Advanced International Studies at Johns Hopkins, Mrs. Bloch knew it was futile to pursue a career as a diplomat, not only because it was virtually impossible for a woman 35 years ago, but because of Felix's career.

So she followed him to Dusseldorf and Caracas, Singapore and West Berlin, putting on white gloves and calling on the ambassador's wife, giving dinners for visiting dignitaries, sitting on committees, balancing her husband's Teutonic hauteur with her easy, outgoing Southern charm.

"I've taken more shopping trips with the Secretary of State's wife than I care to remember," says Mrs. Bloch with a throaty laugh.

Foreign Service wives — spouse is the preferred word now, but the truth is that in those days they were all women, all wives — were adjuncts in the diplomatic corps. A survey once showed that some spent more than 40 hours a week in unpaid work. Lu Bloch considers that she was a hard-working State Department employee who has never done nor been accused of doing anything wrong, and that the least she deserves is her share of what would have been her husband's pension and health benefits.

But more than that, she wants her reputation restored. She has hectored members of Congress and Government officials, and the only definitive response she has gotten was from Sheila F. Anthony, an Assistant Attorney General: "The F.B.I. does not provide 'formal exoneration' of persons who are or who may have been at any time of investigative interest."

Kafkaesque has become the most overused word in the literary lexicon, but there's no better for that statement. They follow you, they tap your phone, they give the world reason to believe you are a traitor to your country. And then they walk away, leaving you to live with the stink of suggestion. And secondhand, at that: guilt as community property.

"I would like somebody to stand up and say 'Lu Stephenson Bloch is an innocent woman,'" says Mrs. Bloch. Under the circumstances any of us would expect the same. This story shows that that's not how our Government behaves, that it can dismiss a woman who has served it well just as summarily as any mean-spirited mate. And with as little care and compassion. □

NATIONAL FARMERS UNION

Office of the President

January 26, 1994

Mr. John Podesta
Staff Secretary
The White House
Washington, D.C. 20500

Dear John:

This is a short note to ask for your assistance in securing speakers from the administration for the National Farmers Union's upcoming convention. Attached, please find letters to HHS Secretary Donna Shalala and Trade Representative Mickey Kantor.

I will appreciate any help you can provide to us. We also invited Mrs. Clinton earlier, and, regretfully, it appears the First Lady will be unable to attend.

While I understand the enormity of juggling the schedules of administration officials, we are finding it difficult to get positive results from scheduling personnel. I hope your "good word" on our behalf will help!

Thank you. I will call you soon to discuss this issue.

Sincerely,

Leland Swenson

Leland Swenson
President

Christine Varney —
Can you get this done.
These guys are important
only major farm group to
endorse

John

10065 East Harvard Avenue ● Denver, Colorado 80231 ● Phone (303) 337-5500
600 Maryland Avenue, S.W. ● Suite 202 ● Washington, D.C. 20024 ● Phone (202) 554-1600

NATIONAL FARMERS UNION

Office of the President

January 26, 1994

The Honorable Mickey Kantor
United States Trade Representative
600 17th Street, NW
Washington, DC 20506

Dear Ambassador Kantor:

The National Farmers Union is presently making plans for its 92nd anniversary convention scheduled for March 4-7 in Fargo, North Dakota.

I want to invite you to attend this important convention and address our delegates, members and guests on Saturday, March 5th at 2:00 p.m.

It comes as no surprise that a major issue among members of our organization is trade, particularly the effects of GATT and NAFTA on their farming operations. Our members will be very interested in hearing your views on the subject and would be very excited if you could also field questions from them.

While the National Farmers Union raised many concerns about NAFTA during last year's debate, we know that its passage means that we must work to take advantage of opportunities the pact offers and to monitor its effects on rural citizens. Your appearance at our convention will elevate our discussions about trade considerably.

I hope you will be able to join us during the convention. Please respond to this invitation at your earliest convenience.

Thank you for your attention.

Sincerely,

Leland Swenson

Leland Swenson
President

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600 Maryland Avenue, S.W. • Suite 202 • Washington, D.C. 20024 • Phone (202) 554-1600

NATIONAL FARMERS UNION

Office of the President

January 26, 1994

The Honorable Donna Shalala
Secretary of Health and Human Services
Washington, DC 20201

Dear Secretary Shalala:

The National Farmers Union is presently making plans for its 92nd anniversary convention scheduled for March 4-7 in Fargo, North Dakota.

I want to invite you to attend this important convention and address our delegates, members and guests on Friday, March 4th at 8:00 p.m.

It comes as no surprise that the number-one issue among a great many of our farm family-members is health care and the need for reform. Our members will be very interested in hearing your views on the subject of health care reform and more details of the administration's reform package.

The National Farmers Union has been a supporter of reforming our health care system. In fact, our organization first called for universal health insurance coverage in 1938! And, Farmers Union organized one of the first-ever health maintenance organizations in the United States.

Now that they see health care reform proposals moving ahead, our members are very excited indeed. Your presentation at their annual meeting will not only reach a very receptive audience, but one willing to mobilize to see that health care reform becomes a reality this year.

I hope you will be able to join us during the convention. Please respond to this invitation at your earliest convenience.

Thank you for your attention.

Sincerely,

Leland Swenson

Leland Swenson
President

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600 Maryland Avenue, S.W. • Suite 202 • Washington, D.C. 20024 • Phone (202) 554-1600

Chron

THE WHITE HOUSE

WASHINGTON

February 3, 1994

MR. PRESIDENT:

I recently sent you a couple of charts Secretary Reich did on income by educational attainment. The attached lays out much of our same information, but note the last paragraph in Bill's memo.

[redacted]

John Podesta

cc: Bob Rubin
Laura Tyson
Gene Sperling

THE WHITE HOUSE

WASHINGTON

February 3, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: **BILL GALSTON** WAG

SUBJECT: **THE RELATION BETWEEN LEARNING AND EARNING**

You have frequently said that in the new global economy, more and more, what you can earn depends upon what you can learn. In this connection, I thought you might be interested in the most recent statistics gleaned from the Census Bureau:

Median Annual Income by Educational Attainment

	Less than 9th grade	9th to 11th grade	High school graduate	Post-HS technical	College (B.A.)
Men	12206	15928	22765	30052	36691
Women	7942	9784	13266	19642	24126
White men	12444	16718	24086	30497	37360
Black men	9836	13168	16599	25875	29392
White women	7863	9902	13342	19505	23871
Black women	8213	9359	12762	20780	25451

As you can see, regardless of population category, roughly the same relationship exists between educational attainment and median income: high school graduates make up to twice as much as high school dropouts, and college graduates make up to twice as much as individuals who don't get any education and training beyond high school.

Another important fact jumps out from this summary table. High school graduates who don't go on to traditional four-year colleges but who choose two years of advanced technical training reap a rich reward--an increase in income of about 50 percent over individuals who just stop after high school. This fact is part of the basis for your School-to-Work Opportunities Act, which we hope will reach the Senate floor next week.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 2, 1994

94 FEB 2 P7:40

INFORMATION

MEMORANDUM FOR ANTHONY LAKE

FROM: ALAN KRECZKO AK

SUBJECT: BCCI - Head of State Immunity

A few weeks ago, we informed you that settlement talks between the Justice Department and Sheik Zayed would make it unnecessary for the Department of State to decide whether to suggest head of state immunity for Zayed and two of his sons in a BCCI-related civil lawsuit, as they had requested. (Info Memo at Tab I.)

Last week, the UAE for the first time requested that the Department suggest immunity for two other individuals, the rulers of the UAE emirates of Fujeirah and Ajman. These two individuals were not included in the settlement and apparently have shown no interest in settlement.

Justice has asked the court for 45 days to consider the UAE request. State will coordinate any response with us.

Attachments
Tab I January 11 Memorandum to Lake
Tab II UAE Request

cc: Bernard Nussbaum
John Podesta
Martin Indyk

Alan — BCCI
is there involvement
minimal or central?

John

THE PRESIDENT HAS SEEN
2-2-94

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FILE NO.

REPLY TO:

Mack
put somebody
on this - we need to
stay in good standing
w/ the folks in Fla on disasters
first.

FAX TRANSMITTAL SHEET

TO: PRESIDENT BILL CLINTON -- NANCY HERNREICH
FAX #: 1-202-456-6703
PHONE #:

FROM: MARIA VICTORIA ARIAS
FAX #: (305) 443-3292
PHONE #: (305) 442-3334
FILE #:

RE: **FEMA PROBLEM WITH ROYAL HARBOR**

DATE: January 31, 1994
TIME: 5:46 pm
NUMBER OF PAGES TO FOLLOW: 16

MESSAGE: MR.PRESIDENT:

A MEMO FROM MARIA RODHAM RE: A PROBLEM [redacted] IN FLORIDA WITH FEMA THAT SHE THINKS COULD END UP BEING A PR NIGHTMARE. EVIDENTLY, FEMA IS REQUIRING THE DESTRUCTION OF MANY GROUND FLOORS OF HOMES HIT BY HURRICANE ANDREW. ALTHOUGH FEMA OBSERVED AND INSPECTED THE RECONSTRUCTION OVER THE LAST 10 MONTHS, THEY ARE JUST NOW SAYING THESE HOUSES DON'T MEET THE NATIONAL FLOOD INSURANCE BUILDING CODE CRITERIA.

KELLY

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FILE NO.

REPLY TO:

MEMORANDUM

TO: PRESIDENT BILL CLINTON

FROM: MARIA VICTORIA ARIAS

DATE: January 31, 1994

RE: FEMA PROBLEM

Attached is a memorandum from Marc Watson of Greenberg, Traurig which discusses the problems a community known as Royal Yacht has had with FEMA. I am also attaching a letter from Steve Siegfried which provides you with additional information together with correspondence from Joaquin Avino, County Manager, to James Witt, the Director of FEMA.

In my opinion, this is not an issue involving only one community. As you can see from Paragraph 10 of Watson's memo, it could become a public relations nightmare. It's difficult to believe that FEMA is now requiring the demolition of the ground floors of homes when FEMA and County representatives observed the reconstruction. This would reaffirm the public perception that FEMA does not know what it is doing. FEMA should not be perceived as a governmental body which prevents people from once again residing in their homes or as a governmental body which causes people to destroy their homes once constructed.

I know that you are very busy. I feel, however, that you should see this. If it's happening here in Florida, can you imagine what could happen in those states affected by the floods and in California. Please take the time to review the attached documents.

GREENBERG
ATTORNEYS AT LAW
TRAURIG

Transmittal Cover Sheet

TO MARIA ARIAS

Company

Fax Number 443-3292

Phone Number

FROM MARC M. WATSON

File Number 14677.0102

Comments

Date January 27, 1994

Time 10:13am

No. Pages Including this cover sheet 4

Please notify us immediately if not received properly at 305-579-0715 or 305-579-0716

1221 Brickell Avenue, Miami, Florida 33131 305-579-0500 Fax 305-579-0717

Memorandum

To Maria Arias

From Marc Watson

Date January 27, 1994

Re Royal Harbor — Hurricane Andrew Damage — FEMA

---

1. Royal Harbor Yacht Club is a 52 unit townhome project located on an island in the southern part of Dade County. All of the units at Royal Harbor, which was in the direct path of Hurricane Andrew, suffered a total loss on the ground floor as a result of the storm. Upper floors suffered moderate to severe damage, however there was no damage to the external structure of the buildings.

2. On a continuing basis from 1983 through and after Hurricane Andrew, Dade County Building and Zoning permitted improvements to the ground floor of these units, more particularly bathrooms and the use of drywall finishes. Although it is now clear that Dade County was incorrect in granting such permits, no homeowner prior to Hurricane Andrew was ever cited for inappropriate improvements to the ground floor. Subsequent to Hurricane Andrew, all but a handfull of homeowners immediately commenced reconstruction of their units to place the units back into the condition and format that they were in prior to the storm.

3. Throughout the rebuilding process, which began immediately after the storm and continued until July 2, 1993 (approximately ten months) both the County and officials of FEMA inspected or observed the reconstruction of these units, including the ground floor, on almost a daily basis. By July 2, 1993, 20 of the units were fully completed and occupied by their residents and all but a few units were under reconstruction and substantially completed. All of the reconstruction was regularly inspected by Dade County and viewed by representatives of FEMA who were continually on the site.

4. On July 2, 1993, almost 10 months after the storm, Dade County placed "red tags" on every door at Royal Harbor indicating that no further reconstruction work should be performed. After several days of frustration, homeowners were able to determine that work was stopped because FEMA told Dade County that FEMA would cancel the County's entire flood insurance program unless the National Flood Insurance Building Code criteria was strictly applied to the ground floors at Royal Harbor. FEMA's position was that all of the homeowners at Royal Harbor who had already completed reconstruction of their homes and moved back in would be required to tear out all reconstruction on the ground floor and rebuild the ground floors in strict conformance with National Flood Insurance guidelines.

5. It is important to note that in the months that followed the homeowners were able to determine that in May of 1992, three months prior to Hurricane Andrew, FEMA sent a letter to Dade County questioning the building code specifications applicable to the ground floors at Royal Harbor. The issues raised in this letter were never communicated to the homeowners prior to the storm, and subsequent to the storm the homeowners were not made aware of the letter until well after the red tag date of July 2, 1993.

6. The homeowners have been involved in months of negotiations with various representatives of FEMA including Messrs. Woodard and Macbeth from the FEMA Atlanta office, Director Witt and Mr. Collins in Washington and most recently Robert Volland from FEMA's Office of Mitigation. Throughout all of these conversations, and negotiations, the homeowners have stated the position that had they known of FEMA's concern regarding previous violations of National Flood Insurance Building Code requirements at the time reconstruction commenced, all homeowners would have taken appropriate action to build the ground floors accordingly. However, it was inappropriate and creates significant economic and emotional hardship to require homeowners who lost their homes in the storm, to tear down a portion of their homes after they have gone through a lengthy and difficult rebuilding process.

7. FEMA's position at Royal Harbor relates to the fact that FEMA is extremely unhappy with Dade County in connection with literally thousands of violations of the National Flood Insurance Building Code resulting from Dade County improperly permitting construction. To the best of our knowledge FEMA is not requiring that any of these other violations be torn down. It is abundantly clear that the issue between Dade County and FEMA does not relate solely to Royal Harbor but rather to the fact that FEMA is intent upon punishing Dade County for failure to properly comply with its requirements to enforce National Flood Insurance Building Code requirements.

8. Among the issues facing homeowners right now are the following:

- No homeowner can obtain a certificate of occupancy on his unit;
- Without a certificate of occupancy homeowners are in violation of mortgage covenants or are unable to secure new mortgages in connection with their home;
- Homeowners are unable to transfer title to their property, homeowners who have not completed construction are unable to complete

construction and have been forced to continue to rent beyond a period of time when insurance proceeds cover such rentals; and

- Every homeowner at Royal Harbor as a result of this problem with FEMA continues to live a very unsettled existence more than 17 months after Hurricane Andrew.

9. Presently Juaquin Avino, County Manager for Dade County, has indicated that the County is willing to grant a variance to the homeowners at Royal Harbor for construction on the ground floor, as it existed prior to the storm and reconstructed after the storm, subject to receiving a letter from FEMA that FEMA will not take punitive action against Dade County solely on the basis of a variance situation at Royal Harbor. Dade County is unwilling to allow the ground floor construction to remain standing so long as FEMA continues to threaten Dade County with either sanctions, probation, or withdrawal of the county-wide flood insurance program. Recently, Congressman Peter Deutch spoke directly with Director Witt of FEMA regarding the situation, however no clear resolution was reached. Representatives of Congressman Deutch's office continue to speak with representatives of FEMA, most recently Mr. Volland. In addition, representatives of Senator Holling's office have called FEMA to advise FEMA officials that they are unaware of any circumstances in South Carolina similar to the events at Royal Harbor in Miami. Specifically, they are unaware of any circumstances where FEMA observed reconstruction and subsequently asked that that construction be torn down in favor of strict compliance with a building code. Senator Holling's office has told FEMA that they will raise no objection and understand the special equities at FEMA (the 10 months of observed reconstruction) if FEMA grants an exemption to Royal Harbor.

10. Unless action is taken immediately, FEMA will send a letter to Dade County indicating that they are unwilling to relent from their position that the ground floors of Royal Harbor be demolished and then repaired in strict compliance with the National Flood Insurance Building Code and this action from FEMA will trigger Dade County into issuing a demand letter to the owners of Royal Harbor that they demolish the ground floors and construct in strict compliance with such code. In the event that the homeowners at Royal Harbor receive such a notice from Dade County, they will be forced to take immediate legal action including the filing of an injunction and other civil remedies as well as begin a substantial public relations campaign to expose the inequities of FEMA and the County observing this reconstruction for 10 months before changing their mind and calling for the destruction of the units.

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KERRY A. GREENWALD
BOCA RATON, FLORIDA (407) 395-0200

HENRY PAUL JOHNSON
NAPLES, FLORIDA (813) [illegible]

FILE NO.

REPLY TO:

November 24, 1993

Congressman Peter Deutsch
425 Cannon House Office Building
Washington, D.C. 20515

Re: Royal Harbour Yacht Club

Dear Congressman Deutsch:

I have been advised that your office is assisting the homeowners at Royal Harbour Yacht Club in overcoming their problems with the Department of Environmental Resources Management for Dade County and the Federal Emergency Management Agency ("FEMA"). My wife and I certainly appreciate your willingness to step forward and help us, residents of South Dade County. I have reviewed Marc Watson's letter of November 18, 1993 and concur that the position taken by FEMA is outrageous.

THE VICTIMS OF HURRICANE ANDREW ARE NOW VICTIMS OF THE FEDERAL BUREAUCRACY

Each unit owner at Royal Harbour was a victim Hurricane Andrew. Each unit owner was forced to leave their homes because they were not habitable. Each unit owner lost much of their personal property and cherished belongings and had to find alternative residence. They hired architects and engineers to get them back into their homes as quickly as possible. They had to negotiate settlements with their insurance companies. They did the best they could to get their lives back together. They suffered, as you know, tremendous financial loss, as well as psychological and emotional trauma. Many of us were victims of unscrupulous contractors. We were all victims of theft of items that remained in our homes that were not damaged. We as citizens of Dade

County had to endure lack of fresh water and supplies of food for weeks and perhaps months after the storm. When we started construction, all construction complied with Dade County Ordinances. All residents obtained permits or acquired permits after construction began, all in compliance with Dade County Ordinances. All construction was done openly and all construction was inspected. All construction was done in accordance with what existed prior to the storm. Dade County Building and Zoning had at least two major objectives after the storm: (1) to protect lives and safety; and (2) to get people back into their homes as quickly as possible.

In July of 1993, approximately ten (10) months after Hurricane Andrew devastated our homes, FEMA required Dade County to "red tag" our homes and stop construction. Since that time, our lives have been in further turmoil. Dade County, has issued building permits for bathrooms and drywall on the ground floors. Dade County, as well as representatives of FEMA, throughout the reconstruction process from August, 1992 to July, 1993 saw each unit owner installing drywall and bathrooms on their ground floor and said nothing to us. Dade County is now ready to workout a solution to remedy the violations of Chapter 11C that exists, and require reasonable compliance in light of the economic and personal hardship that each unit has continued to endure to reduce the impact of total compliance. Dade County and each of the unit owners believe Royal Harbour can be in compliance with the National Flood Insurance Program Regulations and intent. The November 17, 1993, letter of Mr. Glenn Woodard indicates that FEMA is unwilling to grant an exception, grant a variance, or interpret their own regulations fairly to remedy a violation, where the impact of non-compliance is not feasible in light of the economic and personal hardship that we will have to endure, and in light of the conduct of Dade County and FEMA during the reconstruction effort.

HISTORY OF ATTEMPTS TO RESOLVE THIS MATTER

Prior to the meeting of October 27, 1993, with FEMA, our community hired the services of John Pistorino, P.E., to discuss with FEMA and representatives of Dade County solutions to our problems. It appears that all violations originally noted by FEMA have been resolved, or can easily be resolved except for replacement of drywall and bathrooms on the ground level of our homes. It was reported to the community that FEMA understood that there were numerous communities and residences throughout Dade, Monroe and Broward Counties and all other locations throughout the State of Florida where bathrooms are installed below Base Flood Elevation ("BFE"). We were advised by Mr. Pistorino that the logic behind local administrators permitting bathrooms below

BFE is the concept of a cabana or marina, that is, that the bathroom is used as an ancillary function rather than being a material part of the structure. None of the bathrooms on the ground floor are necessary in the sense of "living space". Each unit has at least two or as many as four bathrooms above BEF. After discussions with FEMA, Mr. Pistorino was of the opinion that if Dade County permitted the drywall to remain as well as the baths, that FEMA would not do anything to jeopardize Dade County's participation in the Federal Insurance Program. Dade County, however, wanted a written statement from FEMA, indicating that strict compliance with their rules and regulations was not required. This, FEMA has been unwilling to do. When we met with FEMA on October 27, 1993, it was for the purpose of coming up with solutions to the homeowners problems at Royal Harbour. Mr. Woodard's statements on behalf of FEMA to representatives of the community was that he sympathized with us, that it was not at all desirable or reasonable to require each unit owner to rip out tens of thousands of dollars of improvements they already made to the ground floors of their units. I think he also recognized that the FEMA regulations at issue made little sense, especially in South Florida and under the particular circumstances existing at Royal Harbour. What Mr. Woodard of FEMA was saying to us was that in the event of another storm or hurricane they did not want drywall below BFE which could be damaged. However, as we explained, it would serve no useful purpose to remove thousands of feet of drywall from each of the homeowners' units below BFE which would overload our county landfills, (which have already lost their useful life due to the hurricane) and would not be environmentally sound, so that, in the event there is another hurricane, the drywall would not be damaged. There is no logic to FEMA's position to damage drywall now to protect property in the future. Additionally, Mr. Woodard understood that the purpose of the bathrooms on the ground floors was merely an extension of the outside of the homes and part of a marina environment. His letter of November 17, 1993, did nothing to resolve the issues between us, but simply was a statement that the parties he discussed the problem with on the "Federal level" agreed that any violations to-wit: the drywall and bathrooms, should be brought into compliance with the Flood Plan Management Regulations.

THE REGULATIONS

It is my understanding that FEMA, as one of its purposes has the duty, as an agency of the Federal Government, to protect persons and property. By their actions, if upheld, FEMA will require the destruction of hundreds of thousands of dollars of improvements for no rationale purpose. Additionally, in spite of the fact that FEMA has the power to make *exceptions* (44 CFR §59.1, copy enclosed), FEMA has chosen to read their regulations narrowly, strictly, and in disregard of their responsibility to the homeowners of South Dade who have had to endure the severe frustration, personal and financial loss, and psychological trauma, caused by Hurricane Andrew. Additionally, FEMA has the power to allow the structures to remain in non-compliance if compliance is not possible, or not feasible, so long as the impacts of non-compliance are reduced (44 CFR §59.1, copy enclosed). Moreover, FEMA can permit a local agency that administers the program to grant variances where there is a showing of good and sufficient cause, a determination that failure to grant the variance would result in ex ceptional hardship to the applicant, and a determination that granting of a variance will not result in increase flood heights, additional threats to public safety, extraordinary public expense, create nuisance, cause fraud or victimization of the public, or conflict with existing local laws or ordinances (44 CFR §60.6, copy enclosed). Lastly, the standard form insurance policy published by FEMA under §61.5 provides that "drywall and sheetrock walls and ceilings, whether finished or unfinished", shall be paid for at locations below base flood elevation (BFE) on elevated structures. All unit owners have paid for National Flood Insurance yet none were compensated for losses to drywall or personal property below BFE. This situation is truly ironic.

The way I read the FEMA regulations, FEMA has the authority, power, right and responsibility to work with the unit owners of Royal Harbour to come up with reasonable solutions, rather than to require to strict adherence to its regulations. We have recommended through our representative, John Pistorino, P.E., methods to reduce the impact of non-compliance and FEMA has simply rejected them. Instead of coming up with reasonable solutions, FEMA has required strict compliance which is not practicable, is illogical, environmentally unsound, will cause destruction of hundreds of thousands of dollars of property, increase the burden to our local land fills and just does not make good sense.

In my personal situation, I purchased a unit at Royal Harbour in March of 1993, I went to the building department to obtain a set of plans and specifications for my unit. I examined the public records to see whether there were any restrictions regarding the property and determined that my home was in compliance. It was duly permitted. There was drywall and a bathroom on the ground floor. I determined to buy at Royal Harbour, based upon the public records indicating that my home was in compliance with all Dade County Ordinances, zoning regulations and restrictions and that construction was duly permitted. I simply attempted to rebuild my unit as was originally constructed by the developer, only to find out, in July, that what had been existing was possibly a violation of local ordinance and FEMA regulations. Had I, and several other unit owners in the same position, known about these substantial problems we may not have purchased our units at Royal Harbour.

It is certainly a great economic and personal hardship to myself and my family, as well as all unit owners at Royal Harbour, to have to endure this bureaucratic fight between Dade County and FEMA. It appears now that Dade County is willing to compromise and allow a reasonable solution to the problem. FEMA is digging in their heals and being foolish and obstinate. We need your support and **NOW!** We hope and trust that you will find a way to come up with a solution to this bureaucratic nightmare.

Respectfully yours,

STEVEN M. SIEGFRIED

SMS/djm
cc: Marc M. Watson, Esq.
Nancy Taylor, Esq.
Clifford A. Schulman, Esq.
Mr. Randy Kella
Mr. John Pistorino
Mr. Edward Swakon

V1-30, VE, or V, "elevated building" also includes a building otherwise meeting the definition of "elevated building", even though the lower area is enclosed by means of breakaway walls if the breakaway walls meet the standards of § 60.3(e)(5).

"*Emergency Flood Insurance Program*" or "*emergency program*" means the Program as implemented on an emergency basis in accordance with section 1336 of the Act. It is intended as a program to provide a first layer amount of insurance on all insurable structures before the effective date of the initial FIRM.

"*Erosion*" means the process of the gradual wearing away of land masses. This peril is not per se covered under the Program.

"*Exception*" means a waiver from the provisions of Part 60 of this subchapter directed to a community which relieves it from the requirements of a rule, regulation, order or other determination made or issued pursuant to the Act.

"*Existing construction,*" means for the purposes of determining rates, structures for which the "start of construction" commenced before the effective date of the FIRM or before January 1, 1975, for FIRMs effective before that date. "Existing construction" may also be referred to as "existing structures."

"*Existing manufactured home park or subdivision*" means a manufactured home park or subdivision for which the construction of facilities for servicing the lots on which the manufactured homes are to be affixed (including, at a minimum, the installation of utilities, the construction of streets, and either final site grading or the pouring of concrete pads) is completed before the effective date of the floodplain management regulations adopted by a community.

"*Existing structures*" see "*existing construction.*"

"*Expansion to an existing manufactured home park or subdivision*" means the preparation of additional sites by the construction of facilities for servicing the lots on which the manufacturing homes are to be affixed (including the installation of utilities, the construction of streets, and either final site grading or the pouring of concrete pads).

"*Federal agency*" means any department, agency, corporation, or other entity or instrumentality of the executive branch of the Federal Government, and includes the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

"*Federal instrumentality responsible for the supervision, approval, regulation, or insuring of banks, savings and loan associations, or similar institutions*" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration.

"*Financial assistance*" means any form of loan, grant, guaranty, insurance, payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance, other than general or special revenue sharing or formula grants made to States.

"*Financial assistance for acquisition or construction purposes*" means any form of financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction, repair, or improvement of any publicly or privately owned building or mobile home, and for any machinery, equipment, fixtures, and furnishings contained or to be contained therein, and shall include the purchase or subsidization of mortgages or mortgage loans but shall exclude assistance pursuant to the Disaster Relief Act of 1974 other than assistance under such Act in connection with a flood. It includes only financial assistance insurable under the Standard Flood Insurance Policy.

"*First-layer coverage*" is the maximum amount of structural and contents insurance coverage available under the Emergency Program.

"*Flood*" or "*Flooding*" means:

(a) A general and temporary condition of partial or complete inundation of normally dry land areas from:

(1) The overflow of inland or tidal waters.

entity, including State and local governments and agencies.

"Policy" means the Standard Flood Insurance Policy.

"Premium" means the total premium payable by the insured for the coverage or coverages provided under the policy. The calculation of the premium may be based upon either chargeable rates or risk premium rates, or a combination of both.

"Primary frontal dune" means a continuous or nearly continuous mound or ridge of sand with relatively steep seaward and landward slopes immediately landward and adjacent to the beach and subject to erosion and overtopping from high tides and waves during major coastal storms. The inland limit of the primary frontal dune occurs at the point where there is a distinct change from a relatively steep slope to a relatively mild slope.

"Principally above ground" means that at least 51 percent of the actual cash value of the structure, less land value, is above ground.

"Program" means the National Flood Insurance Program authorized by 42 U.S.C. 4001 through 4128.

"Program deficiency" means a defect in a community's flood plain management regulations or administrative procedures that impairs effective implementation of those flood plain management regulations or of the standards in §§ 60.3, 60.4, 60.5, or 60.6.

"Project cost" means the total financial cost of a flood protection system (including design, land acquisition, construction, fees, overhead, and profits), unless the Federal Insurance Administrator determines a given "cost" not to be a part of such project cost.

"Recreational vehicle" means a vehicle which is:

(a) built on a single chassis;

(b) 400 square feet or less when measured at the largest horizontal projection;

(c) designed to be self-propelled or permanently towable by a light duty truck; and

(d) designed primarily not for use as a permanent dwelling but as temporary living quarters for recreational, camping, travel, or seasonal use.

"Reference feature" is the receding edge of a bluff or eroding frontal dune, or if such a feature is not present, the normal high-water line or the seaward line of permanent vegetation if a high-water line cannot be identified.

"Regular Program" means the Program authorized by the Act under which risk premium rates are required for the first half of available coverage (also known as "first layer" coverage) for all new construction and substantial improvements started on or after the effective date of the FIRM, or after December 31, 1974, for FIRM's effective on or before that date. All buildings, the construction of which started before the effective date of the FIRM, or before January 1, 1975, for FIRMs effective before that date, are eligible for first layer coverage at either subsidized rates or risk premium rates, whichever are lower. Regardless of date of construction, risk premium rates are always required for the second layer coverage and such coverage is offered only after the Administrator has completed a risk study for the community.

"Regulatory floodway" means the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height.

"Remedy a violation" means to bring the structure or other development into compliance with State or local flood plain management regulations, or, if this is not possible, to reduce the impacts of its noncompliance. Ways that impacts may be reduced include protecting the structure or other affected development from flood damages, implementing the enforcement provisions of the ordinance or otherwise deterring future similar violations, or reducing Federal financial exposure with regard to the structure or other development.

"Risk premium rates" mean those rates established by the Administrator pursuant to individual community studies and investigations which are undertaken to provide flood insurance in accordance with section 1307 of the Act and the accepted actuarial princi-

limited to a lot size less than one-half acre (as set forth in paragraph (a)(2) of this section), deviations from that limitation may occur. However, as the lot size increases beyond one-half acre, the technical justification required for issuing a variance increases. The Administrator may review a community's findings justifying the granting of variances, and if that review indicates a pattern inconsistent with the objectives of sound flood plain management, the Administrator may take appropriate action under § 59.24(b) of this subchapter. Variances may be issued for the repair or rehabilitation of historic structures upon a determination that the proposed repair or rehabilitation will not preclude the structure's continued designation as a historic structure and the variance is the minimum necessary to preserve the historic character and design of the structure. Procedures for the granting of variances by a community are as follows:

(1) Variances shall not be issued by a community within any designated regulatory floodway if any increase in flood levels during the base flood discharge would result;

(2) Variances may be issued by a community for new construction and substantial improvements to be erected on a lot of one-half acre or less in size contiguous to and surrounded by lots with existing structures constructed below the base flood level, in conformance with the procedures of paragraphs (a) (3), (4), (5) and (6) of this section;

(3) Variances shall only be issued by a community upon (i) a showing of good and sufficient cause, (ii) a determination that failure to grant the variance would result in exceptional hardship to the applicant, and (iii) a determination that the granting of a variance will not result in increased flood heights, additional threats to public safety, extraordinary public expense, create nuisances, cause fraud on or victimization of the public, or conflict with existing local laws or ordinances;

(4) Variances shall only be issued upon a determination that the variance is the minimum necessary, considering the flood hazard, to afford relief;

(5) A community shall notify the applicant in writing over the signature of a community official that (i) the issuance of a variance to construct a structure below the base flood level will result in increased premium rates for flood insurance up to amounts as high as $25 for $100 of insurance coverage and (ii) such construction below the base flood level increases risks to life and property. Such notification shall be maintained with a record of all variance actions as required in paragraph (a)(6) of this section; and

(6) A community shall (i) maintain a record of all variance actions, including justification for their issuance, and (ii) report such variances issued in its annual or biennial report submitted to the Administrator.

(7) Variances may be issued by a community for new construction and substantial improvements and for other development necessary for the conduct of a functionally dependent use provided that (i) the criteria of paragraphs (a)(1) through (a)(4) of this section are met, and (ii) the structure or other development is protected by methods that minimize flood damages during the base flood and create no additional threats to public safety.

(b)(1) The requirement that each flood-prone, mudslide (i.e., mudflow)-prone, and flood-related erosion prone community must adopt and submit adequate flood plain management regulations as a condition of initial and continued flood insurance eligibility is statutory and cannot be waived, and such regulations shall be adopted by a community within the time periods specified in §§ 60.3, 60.4 or § 60.5. However, certain exceptions from the standards contained in this subpart may be permitted where the Administrator recognizes that, because of extraordinary circumstances, local conditions may render the application of certain standards the cause for severe hardship and gross inequity for a particular community. Consequently, a community proposing the adoption of flood plain management regulations which vary from the standards set forth in §§ 60.3, 60.4, or § 60.5, shall explain in writing to the Administra-

exception

FAX

TO: Mr. Steve Siegfried

COMPANY/DEPARTMENT:

FAX #: 443-3292

NUMBER OF PAGES (INCLUDING THIS ONE): 4

MESSAGE:

FROM: Carlos Espinosa, P.E.

DATE: 1/13/94

FAXED BY: FRANCES ORTIZ

DERM

DEPARTMENT OF ENVIRONMENTAL RESOURCES MANAGEMENT
33 S.W. 2ND AVENUE
MIAMI, FLORIDA 33130-1540
TELEPHONE (305) 372-6529 FAX (305) 372-6631

METROPOLITAN DADE COUNTY, FLORIDA

METRO-DADE

METRO-DADE CENTER

OFFICE OF COUNTY MANAGER
SUITE 2910
111 N.W. 1st STREET
MIAMI, FLORIDA 33128-1994
(305) 375-5311

January 12, 1994

Mr. James L. Witt, Director
Federal Emergency Management Agency
500 C. Street SW, Room 830
Washington, D.C. 20472

RE: Royal Harbour Yacht Club Condominium (RHYC), vicinity of S.W. 62nd Avenue and S.W. 152nd Street, flood zone AE, Base Flood Elevation (BFE) 13.00 ft NGVD.

Dear Mr. Witt:

I would like to take this opportunity to thank you for your assistance in the reconstruction of South Dade County in the aftermath of Hurricane Andrew. As you can understand, the reconstruction phase of natural disasters brings into focus cases that for many reasons do not fit the normal process. In particular, I would like to bring to your attention the Royal Harbour Yacht Club Condominium development in South Dade.

We have worked with your regional staff in Atlanta to correct a number of construction items at the referenced development that are not consistent with the Federal Insurance Administration (FIA) floodplain management requirements, as incorporated in the County Code. In this development of fifty-six (56) units, the items that have not been resolved deal with the existence of bathrooms and non-flood resistant materials below the Base Flood Elevation (BFE). We fully intend to apply your floodplain management requirements through the enforcement of Chapter 11C of the County code. Specifically, we will be requiring this development to comply with the following general conditions:

1. All new construction must comply with Chapter 11C of the Dade County Code, and in accordance with FEMA Technical Bulletins 2-93, 1-93 and 4-93.

2. In each unit of the development, a permanent plaque must be placed in a conspicuous location so that any person who may enter the unit's lower floor will be alerted to the limitations associated with areas below BFE. Such a plaque must be fabricated of bronze or other durable material and

be permanently affixed to the masonry or concrete wall at a visible location. Wording for this sign will be as follows:

> "The ground floor area of this building structure is located below the regulatory Base Flood Elevation of 13.00 ft NGVD and can only be used for parking, storage and building access. In addition, this building/structure is located in a designated evacuation area. The ground floor is expected to be inundated during a major storm or hurricane event and IS NOT A SUITABLE PLACE OF REFUGE."

3. All the units damaged by Hurricane Andrew that are completed, or partially completed, must comply with Chapter 11C of the Dade County Code and FEMA Technical Bulletins 2-93, 1-93 and 4-93. In particular, this condition will most likely require the demolition and removal of existing bathrooms and all non-flood resistant material located below the BFE.

However, as a substitute for condition number three (3) above, the property owners have offered the following alternative condition:

> Each affected property owner would submit to the County a covenant running with the land, indicating that any individual unit sustaining future damages of any origin, will not replace non-conforming construction and must repair and replace damaged materials in accordance with Chapter 11C, of the Dade County Code, and in accordance with FEMA Technical Bulletins 2-93, 1-93 and 4-93. The covenant would also specifically indicate that parking, storage and building access are the only permitted uses below BFE.

This covenant running with the land will bind current and future owners to the stated conditions. The owners with this alternative condition are willing to legally bind themselves to not reconstructing the existing facilities in the event that for any reason they are damaged. In addition, they will forgo any claims to damaged items below BFE and will subject themselves to the payment of actuarial flood insurance rates for post firm structures below BFE. As you can understand, the property owners argue that; "What advantage or purpose other than punitive, does it serve to demolish and remove at this time the bathrooms and non-complying material below the BFE."

We intend to enforce your floodplain management requirements, but in proceeding with this case, we request a specific response as to whether the homeowner's alternative condition is acceptable to your agency as a solution to this case.

Based on your provided guidance, we will move forward to finalize this case and continue the much needed reconstruction of South Dade County. Should you need any other information on this case, please let me know. In addition, you may coordinate this matter with Mr. John Renfrow, Director of the Department of Environmental Resources Management (DERM) at (305) 372-6754. If Mr. Renfrow is not available, Mr. Carlos Espinosa, Assistant Department Director at (305) 372-6529 will be able to assist you.

Sincerely,

Joaquin G. Avino, P.E., P.L.S.
County Manager

2/3 orig. to COS

LAW OFFICES

SIEGFRIED, KIPNIS, RIVERA, LERNER & DE LA TORRE, P.A.

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OF COUNSEL

KERRY A. GREENWALD
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HENRY PAUL JOHNSON
NAPLES, FLORIDA (813) 591-0133

94 FEB 3 P1:01

FILE NO.

REPLY TO:

MEMORANDUM

TO: PRESIDENT BILL CLINTON

FROM: MARIA VICTORIA ARIAS Maria

DATE: January 22, 1994

RE: FEMA PROBLEM

Attached are two letters pertaining to a problem which exists at a community known as Royal Harbour Yacht Club. The owners at said community have been working with FEMA, the County, State of Florida, Congressman Peter Deutsch in an effort to resolve a problem the community is having with FEMA's guidelines. The letter addressed to Congressman Deutsch is self-explanatory.

As you can see from the enclosed correspondence, Mr. Witt, the Director of FEMA has been made aware of this problem. I thought you would be interested in seeing this as well as perhaps checking into this problem.

METROPOLITAN DADE COUNTY, FLORIDA

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(305) 375-5311

January 12, 1994

Mr. James L. Witt, Director
Federal Emergency Management Agency
500 C. Street SW, Room 830
Washington, D.C. 20472

RE: Royal Harbour Yacht Club Condominium (RHYC), vicinity of S.W. 62nd Avenue and S.W. 152nd Street, flood zone AE, Base Flood Elevation (BFE) 13.00 ft NGVD.

Dear Mr. Witt:

I would like to take this opportunity to thank you for your assistance in the reconstruction of South Dade County in the aftermath of Hurricane Andrew. As you can understand, the reconstruction phase of natural disasters brings into focus cases that for many reasons do not fit the normal process. In particular, I would like to bring to your attention the Royal Harbour Yacht Club Condominium development in South Dade.

We have worked with your regional staff in Atlanta to correct a number of construction items at the referenced development that are not consistent with the Federal Insurance Administration (FIA) floodplain management requirements, as incorporated in the County Code. In this development of fifty-six (56) units, the items that have not been resolved deal with the existance of bathrooms and non-flood resistant materials below the Base Flood Elevation (BFE). We fully intend to apply your floodplain management requirements through the enforcement of Chapter 11C of the County code. Specifically, we will be requiring this development to comply with the following general conditions:

1. All new construction must comply with Chapter 11C of the Dade County Code, and in accordance with FEMA Technical Bulletins 2-93, 1-93 and 4-93.

2. In each unit of the development, a permanent plaque must be placed in a conspicuous location so that any person who may enter the unit's lower floor will be alerted to the limitations associated with areas below BFE. Such a plaque must be fabricated of bronze or other durable material and

be permanently affixed to the masonry or concrete wall at a visible location. Wording for this sign will be as follows:

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However, as a substitute for condition number three (3) above, the property owners have offered the following alternative condition:

Each affected property owner would submit to the County a covenant running with the land, indicating that any individual unit sustaining future damages of any origin, will not replace non-conforming construction and must repair and replace damaged materials in accordance with Chapter 11C, of the Dade County Code, and in accordance with FEMA Technical Bulletins 2-93, 1-93 and 4-93. The covenant would also specifically indicate that parking, storage and building access are the only permitted uses below BFE.

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Mr. James L. Witt
FEMA
Page 3

We intend to enforce your floodplain management requirements, but in proceeding with this case, we request a specific response as to whether the homeowner's alternative condition is acceptable to your agency as a solution to this case.

Based on your provided guidance, we will move forward to finalize this case and continue the much needed reconstruction of South Dade County. Should you need any other information on this case, please let me know. In addition, you may coordinate this matter with Mr. John Renfrow, Director of the Department of Environmental Resources Management (DERM) at (305) 372-6754. If Mr. Renfrow is not available, Mr. Carlos Espinosa, Assistant Department Director at (305) 372-6529 will be able to assist you.

Sincerely,

Joaquin G. Avino, P.E., P.L.S.
County Manager

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BOCA RATON, FLORIDA (407) 395-0200

HENRY PAUL JOHNSON
NAPLES, FLORIDA (813) 591-0133

FILE NO.
REPLY TO:

November 24, 1993

Congressman Peter Deutsch
425 Cannon House Office Building
Washington, D.C. 20515

Re: Royal Harbour Yacht Club

Dear Congressman Deutsch:

I have been advised that your office is assisting the homeowners at Royal Harbour Yacht Club in overcoming their problems with the Department of Environmental Resources Management for Dade County and the Federal Emergency Management Agency ("FEMA"). My wife and I certainly appreciate your willingness to step forward and help us, residents of South Dade County. I have reviewed Marc Watson's letter of November 18, 1993 and concur that the position taken by FEMA is outrageous.

<u>THE VICTIMS OF HURRICANE ANDREW ARE NOW VICTIMS OF THE FEDERAL BUREAUCRACY</u>

Each unit owner at Royal Harbour was a victim Hurricane Andrew. Each unit owner was forced to leave their homes because they were not habitable. Each unit owner lost much of their personal property and cherished belongings and had to find alternative residence. They hired architects and engineers to get them back into their homes as quickly as possible. They had to negotiate settlements with their insurance companies. They did the best they could to get their lives back together. They suffered, as you know, tremendous financial loss, as well as psychological and emotional trauma. Many of us were victims of unscrupulous contractors. We were all victims of theft of items that remained in our homes that were not damaged. We as citizens of Dade

County had to endure lack of fresh water and supplies of food for weeks and perhaps months after the storm. When we started construction, all construction complied with Dade County Ordinances. All residents obtained permits or acquired permits after construction began, all in compliance with Dade County Ordinances. All construction was done openly and all construction was inspected. All construction was done in accordance with what existed prior to the storm. Dade County Building and Zoning had at least two major objectives after the storm: (1) to protect lives and safety; and (2) to get people back into their homes as quickly as possible.

In July of 1993, approximately ten (10) months after Hurricane Andrew devastated our homes, FEMA required Dade County to "red tag" our homes and stop construction. Since that time, our lives have been in further turmoil. Dade County, has issued building permits for bathrooms and drywall on the ground floors. Dade County, as well as representatives of FEMA, throughout the reconstruction process from August, 1992 to July, 1993 saw each unit owner installing drywall and bathrooms on their ground floor and said nothing to us. Dade County is now ready to workout a solution to remedy the violations of Chapter 11C that exists, and require reasonable compliance in light of the economic and personal hardship that each unit has continued to endure to reduce the impact of total compliance. Dade County and each of the unit owners believe Royal Harbour can be in compliance with the National Flood Insurance Program Regulations and intent. The November 17, 1993, letter of Mr. Glenn Woodard indicates that FEMA is unwilling to grant an exception, grant a variance, or interpret their own regulations fairly to remedy a violation, where the impact of non-compliance is not feasible in light of the economic and personal hardship that we will have to endure, and in light of the conduct of Dade County and FEMA during the reconstruction effort.

HISTORY OF ATTEMPTS TO RESOLVE THIS MATTER

Prior to the meeting of October 27, 1993, with FEMA, our community hired the services of John Pistorino, P.E., to discuss with FEMA and representatives of Dade County solutions to our problems. It appears that all violations originally noted by FEMA have been resolved, or can easily be resolved except for replacement of drywall and bathrooms on the ground level of our homes. It was reported to the community that FEMA understood that there were numerous communities and residences throughout Dade, Monroe and Broward Counties and all other locations throughout the State of Florida where bathrooms are installed below Base Flood Elevation ("BFE"). We were advised by Mr. Pistorino that the logic behind local administrators permitting bathrooms below

BFE is the concept of a cabana or marina, that is, that the bathroom is used as an ancillary function rather than being a material part of the structure. None of the bathrooms on the ground floor are necessary in the sense of "living space". Each unit has at least two or as many as four bathrooms above BEF. After discussions with FEMA, Mr. Pistorino was of the opinion that if Dade County permitted the drywall to remain as well as the baths, that FEMA would not do anything to jeopardize Dade County's participation in the Federal Insurance Program. Dade County, however, wanted a written statement from FEMA, indicating that strict compliance with their rules and regulations was not required. This, FEMA has been unwilling to do. When we met with FEMA on October 27, 1993, it was for the purpose of coming up with solutions to the homeowners problems at Royal Harbour. Mr. Woodard's statements on behalf of FEMA to representatives of the community was that he sympathized with us, that it was not at all desirable or reasonable to require each unit owner to rip out tens of thousands of dollars of improvements they already made to the ground floors of their units. I think he also recognized that the FEMA regulations at issue made little sense, especially in South Florida and under the particular circumstances existing at Royal Harbour. What Mr. Woodard of FEMA was saying to us was that in the event of another storm or hurricane they did not want drywall below BFE which could be damaged. However, as we explained, it would serve no useful purpose to remove thousands of feet of drywall from each of the homeowners' units below BFE which would overload our county landfills, (which have already lost their useful life due to the hurricane) and would not be environmentally sound, so that, in the event there is another hurricane, the drywall would not be damaged. There is no logic to FEMA's position to damage drywall now to protect property in the future. Additionally, Mr. Woodard understood that the purpose of the bathrooms on the ground floors was merely an extension of the outside of the homes and part of a marina environment. His letter of November 17, 1993, did nothing to resolve the issues between us, but simply was a statement that the parties he discussed the problem with on the "Federal level" agreed that any violations to-wit: the drywall and bathrooms, should be brought into compliance with the Flood Plan Management Regulations.

THE REGULATIONS

It is my understanding that FEMA, as one of its purposes has the duty, as an agency of the Federal Government, to protect persons and property. By their actions, if upheld, FEMA will require the destruction of hundreds of thousands of dollars of improvements for no rationale purpose. Additionally, in spite of the fact that FEMA has the power to make ***exceptions*** (44 CFR §59.1, copy enclosed), FEMA has chosen to read their regulations narrowly, strictly, and in disregard of their responsibility to the homeowners of South Dade who have had to endure the severe frustration, personal and financial loss, and psychological trauma, caused by Hurricane Andrew. Additionally, FEMA has the power to allow the structures to remain in non-compliance if compliance is not possible, or not feasible, so long as the impacts of non-compliance are reduced (44 CFR §59.1, copy enclosed). Moreover, FEMA can permit a local agency that administers the program to grant variances where there is a showing of good and sufficient cause, a determination that failure to grant the variance would result in ex ceptional hardship to the applicant, and a determination that granting of a variance will not result in increase flood heights, additional threats to public safety, extraordinary public expense, create nuisance, cause fraud or victimization of the public, or conflict with existing local laws or ordinances (44 CFR §60.6, copy enclosed). Lastly, the standard form insurance policy published by FEMA under §61.5 provides that "drywall and sheetrock walls and ceilings, whether finished or unfinished", shall be paid for at locations below base flood elevation (BFE) on elevated structures. All unit owners have paid for National Flood Insurance yet <u>none</u> were compensated for losses to drywall or personal property below BFE. This situation is truly ironic.

The way I read the FEMA regulations, FEMA has the authority, power, right and responsibility to work with the unit owners of Royal Harbour to come up with reasonable solutions, rather than to require to strict adherence to its regulations. We have recommended through our representative, John Pistorino, P.E., methods to reduce the impact of non-compliance and FEMA has simply rejected them. Instead of coming up with reasonable solutions, FEMA has required strict compliance which is not practicable, is illogical, environmentally unsound, will cause destruction of hundreds of thousands of dollars of property, increase the burden to our local land fills and just does not make good sense.

In my personal situation, I purchased a unit at Royal Harbour in March of 1993, I went to the building department to obtain a set of plans and specifications for my unit. I examined the public records to see whether there were any restrictions regarding the property and determined that my home was in compliance. It was duly permitted. There was drywall and a bathroom on the ground floor. I determined to buy at Royal Harbour, based upon the public records indicating that my home was in compliance with all Dade County Ordinances, zoning regulations and restrictions and that construction was duly permitted. I simply attempted to rebuild my unit as was originally constructed by the developer, only to find out, in July, that what had been existing was possibly a violation of local ordinance and FEMA regulations. Had I, and several other unit owners in the same position, known about these substantial problems we may not have purchased our units at Royal Harbour.

It is certainly a great economic and personal hardship to myself and my family, as well as all unit owners at Royal Harbour, to have to endure this bureaucratic fight between Dade County and FEMA. It appears now that Dade County is willing to compromise and allow a reasonable solution to the problem. FEMA is digging in their heals and being foolish and obstinate. We need your support and **NOW!** We hope and trust that you will find a way to come up with a solution to this bureaucratic nightmare.

Respectfully yours,

STEVEN M. SIEGFRIED

SMS/djm
cc: Marc M. Watson, Esq.
Nancy Taylor, Esq.
Clifford A. Schulman, Esq.
Mr. Randy Kella
Mr. John Pistorino
Mr. Edward Swakon

V1-30, VE, or V, "elevated building" also includes a building otherwise meeting the definition of "elevated building", even though the lower area is enclosed by means of breakaway walls if the breakaway walls meet the standards of § 60.3(e)(5).

"Emergency Flood Insurance Program" or *"emergency program"* means the Program as implemented on an emergency basis in accordance with section 1336 of the Act. It is intended as a program to provide a first layer amount of insurance on all insurable structures before the effective date of the initial FIRM.

"Erosion" means the process of the gradual wearing away of land masses. This peril is not per se covered under the Program.

"Exception" means a waiver from the provisions of Part 60 of this subchapter directed to a community which relieves it from the requirements of a rule, regulation, order or other determination made or issued pursuant to the Act.

"Existing construction," means for the purposes of determining rates, structures for which the "start of construction" commenced before the effective date of the FIRM or before January 1, 1975, for FIRMs effective before that date. "Existing construction" may also be referred to as "existing structures."

"Existing manufactured home park or subdivision" means a manufactured home park or subdivision for which the construction of facilities for servicing the lots on which the manufactured homes are to be affixed (including, at a minimum, the installation of utilities, the construction of streets, and either final site grading or the pouring of concrete pads) is completed before the effective date of the floodplain management regulations adopted by a community.

"Existing structures" see *"existing construction."*

"Expansion to an existing manfactured home park or subdivision" means the preparation of additional sites by the construction of facilities for servicing the lots on which the manufacturing homes are to be affixed (including the installation of utilities, the construction of streets, and either final site grading or the pouring of concrete pads).

"Federal agency" means any department, agency, corporation, or other entity or instrumentality of the executive branch of the Federal Government, and includes the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

"Federal instrumentality responsible for the supervision, approval, regulation, or insuring of banks, savings and loan associations, or similar institutions" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration.

"Financial assistance" means any form of loan, grant, guaranty, insurance, payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance, other than general or special revenue sharing or formula grants made to States.

"Financial assistance for acquisition or construction purposes" means any form of financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction, repair, or improvement of any publicly or privately owned building or mobile home, and for any machinery, equipment, fixtures, and furnishings contained or to be contained therein, and shall include the purchase or subsidization of mortgages or mortgage loans but shall exclude assistance pursuant to the Disaster Relief Act of 1974 other than assistance under such Act in connection with a flood. It includes only financial assistance insurable under the Standard Flood Insurance Policy.

"First-layer coverage" is the maximum amount of structural and contents insurance coverage available under the Emergency Program.

"Flood" or *"Flooding"* means:

(a) A general and temporary condition of partial or complete inundation of normally dry land areas from:

(1) The overflow of inland or tidal waters.

entity, including State and local governments and agencies.

"Policy" means the Standard Flood Insurance Policy.

"Premium" means the total premium payable by the insured for the coverage or coverages provided under the policy. The calculation of the premium may be based upon either chargeable rates or risk premium rates, or a combination of both.

"Primary frontal dune" means a continuous or nearly continuous mound or ridge of sand with relatively steep seaward and landward slopes immediately landward and adjacent to the beach and subject to erosion and overtopping from high tides and waves during major coastal storms. The inland limit of the primary frontal dune occurs at the point where there is a distinct change from a relatively steep slope to a relatively mild slope.

"Principally above ground" means that at least 51 percent of the actual cash value of the structure, less land value, is above ground.

"Program" means the National Flood Insurance Program authorized by 42 U.S.C. 4001 through 4128.

"Program deficiency" means a defect in a community's flood plain management regulations or administrative procedures that impairs effective implementation of those flood plain management regulations or of the standards in §§ 60.3, 60.4, 60.5, or 60.6.

"Project cost" means the total financial cost of a flood protection system (including design, land acquisition, construction, fees, overhead, and profits), unless the Federal Insurance Administrator determines a given "cost" not to be a part of such project cost.

"Recreational vehicle" means a vehicle which is:

(a) built on a single chassis;

(b) 400 square feet or less when measured at the largest horizontal projection;

(c) designed to be self-propelled or permanently towable by a light duty truck; and

(d) designed primarily not for use as a permanent dwelling but as temporary living quarters for recreational, camping, travel, or seasonal use.

"Reference feature" is the receding edge of a bluff or eroding frontal dune, or if such a feature is not present, the normal high-water line or the seaward line of permanent vegetation if a high-water line cannot be identified.

"Regular Program" means the Program authorized by the Act under which risk premium rates are required for the first half of available coverage (also known as "first layer" coverage) for all new construction and substantial improvements started on or after the effective date of the FIRM, or after December 31, 1974, for FIRM's effective on or before that date. All buildings, the construction of which started before the effective date of the FIRM, or before January 1, 1975, for FIRMs effective before that date, are eligible for first layer coverage at either subsidized rates or risk premium rates, whichever are lower. Regardless of date of construction, risk premium rates are always required for the second layer coverage and such coverage is offered only after the Administrator has completed a risk study for the community.

"Regulatory floodway" means the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height.

"Remedy a violation" means to bring the structure or other development into compliance with State or local flood plain management regulations, or, if this is not possible, to reduce the impacts of its noncompliance. Ways that impacts may be reduced include protecting the structure or other affected development from flood damages, implementing the enforcement provisions of the ordinance or otherwise deterring future similar violations, or reducing Federal financial exposure with regard to the structure or other development.

"Risk premium rates" mean those rates established by the Administrator pursuant to individual community studies and investigations which are undertaken to provide flood insurance in accordance with section 1307 of the Act and the accepted actuarial princi-

limited to a lot size less than one-half acre (as set forth in paragraph (a)(2) of this section), deviations from that limitation may occur. However, as the lot size increases beyond one-half acre, the technical justification required for issuing a variance increases. The Administrator may review a community's findings justifying the granting of variances, and if that review indicates a pattern inconsistent with the objectives of sound flood plain management, the Administrator may take appropriate action under § 59.24(b) of this subchapter. Variances may be issued for the repair or rehabilitation of historic structures upon a determination that the proposed repair or rehabilitation will not preclude the structure's continued designation as a historic structure and the variance is the minimum necessary to preserve the historic character and design of the structure. Procedures for the granting of variances by a community are as follows:

(1) Variances shall not be issued by a community within any designated regulatory floodway if any increase in flood levels during the base flood discharge would result;

(2) Variances may be issued by a community for new construction and substantial improvements to be erected on a lot of one-half acre or less in size contiguous to and surrounded by lots with existing structures constructed below the base flood level, in conformance with the procedures of paragraphs (a) (3), (4), (5) and (6) of this section;

(3) Variances shall only be issued by a community upon (i) a showing of good and sufficient cause, (ii) a determination that failure to grant the variance would result in exceptional hardship to the applicant, and (iii) a determination that the granting of a variance will not result in increased flood heights, additional threats to public safety, extraordinary public expense, create nuisances, cause fraud on or victimization of the public, or conflict with existing local laws or ordinances;

(4) Variances shall only be issued upon a determination that the variance is the minimum necessary, considering the flood hazard, to afford relief;

(5) A community shall notify the applicant in writing over the signature of a community official that (i) the issuance of a variance to construct a structure below the base flood level will result in increased premium rates for flood insurance up to amounts as high as $25 for $100 of insurance coverage and (ii) such construction below the base flood level increases risks to life and property. Such notification shall be maintained with a record of all variance actions as required in paragraph (a)(6) of this section; and

(6) A community shall (i) maintain a record of all variance actions, including justification for their issuance, and (ii) report such variances issued in its annual or biennial report submitted to the Administrator.

(7) Variances may be issued by a community for new construction and substantial improvements and for other development necessary for the conduct of a functionally dependent use provided that (i) the criteria of paragraphs (a)(1) through (a)(4) of this section are met, and (ii) the structure or other development is protected by methods that minimize flood damages during the base flood and create no additional threats to public safety.

(b)(1) The requirement that each flood-prone, mudslide (i.e., mudflow)-prone, and flood-related erosion prone community must adopt and submit adequate flood plain management regulations as a condition of initial and continued flood insurance eligibility is statutory and cannot be waived, and such regulations shall be adopted by a community within the time periods specified in §§ 60.3, 60.4 or § 60.5. However, certain exceptions from the standards contained in this subpart may be permitted where the Administrator recognizes that, because of extraordinary circumstances, local conditions may render the application of certain standards the cause for severe hardship and gross inequity for a particular community. Consequently, a community proposing the adoption of flood plain management regulations which vary from the standards set forth in §§ 60.3, 60.4, or § 60.5, shall explain in writing to the Administra-

exception

UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

THE PRESIDENT HAS SEEN
2/2

To: The President
From: Bob Reich 94 JAN 28 P12:01

FYI

This special issue of Cong. Quarterly, just out, is one of the best overviews of training & re-employment — and where we're headed.

Good to Bob's [illegible] etc.

Bob Rubin
cc Gene Sperling

WORKER RETRAINING

COVER: ILLUSTRATION BY BARBARA SASSA-DANIELS

THE CQ Researcher

January 21, 1994
Volume 4, No. 3

The CQ Researcher (ISSN 1056-2036). Formerly Editorial Research Reports. Published weekly (48 times per year, not printed the first Friday of any month with five Fridays) by Congressional Quarterly Inc., 1414 22nd St., N.W., Washington, D.C. 20037. Rates are furnished upon request. Second-class postage paid at Washington, D.C. POSTMASTER: Send address changes to The CQ Researcher, 1414 22nd St., N.W., Washington, D.C. 20037.

THE PRESIDENT HAS SEEN 2/2

THE CQ Researcher

PUBLISHED BY CONGRESSIONAL QUARTERLY INC.

Worker Retraining

Do displaced workers get adequate training for new jobs?

About 20 million American workers were displaced in the 1980s, mostly from manufacturing jobs. Now, corporate restructuring and white-collar layoffs are adding highly trained workers and middle managers to the ranks of the displaced. Most laid-off workers will not get their old jobs back, and many are being forced to take new positions with less pay. The heated debate last year over the North American Free Trade Agreement (NAFTA) underscored concerns about the adequacy of U.S. programs for retraining displaced workers. In return for support on NAFTA, President Clinton promised additional assistance to laid-off workers. But now economists and other experts are questioning whether the country can afford a sweeping new plan — and what the consequences may be if the current system is not overhauled.

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Formerly Editorial Research Reports

Worker Retraining

BY SUSAN KELLAM

THE ISSUES

When he lost his job a year and a half ago, Brian Wessner drew comfort from knowing it had been a business decision. But the landing was still pretty rough. "It was like having a death in the family," Wessner says. "I had to grieve and move on."

Wessner had been earning about $100,000 a year at the Legent Corp., a software firm in Herndon, Va., when Legent acquired another software company. Although he had expected some downsizing, Wessner was still surprised when "my boss took me into a room and told *me* to go."

Harsh business realities affected Dwight "Doc" Iler, too, but the veteran steelworker didn't feel the pain initially. Iler had been an inspector at one of Bethlehem Steel Co.'s Baltimore mills for nearly 22 years when the plant closed a number of years ago.

At first Iler did nothing, explaining, "There used to be several weeks of layoff each year. So I'd gotten into a pattern where I didn't make a move." But soon a year had gone by, and he had no job and no prospects.

Although they represent different niches in the labor market, Wessner and Iler shared a common dilemma when the bottom fell out: At first, neither knew where to go for support services or job retraining.

Wessner eventually discovered that despite his bachelor's degree in aerospace engineering and master's in computer science, he didn't qualify for any federal programs for displaced workers. Iler was eligible for the Trade Adjustment Assistance (TAA) program, for workers whose jobs were affected by imports. But TAA's funding had been radically reduced in 1981. "By the time I got to it," says Iler, "[President Ronald] Reagan had cut it back. So I couldn't use it."

Thousands of jobless Americans face the same predicament today. Although there are several mostly small federal retraining programs for displaced workers (*see box, p. 53*), the majority of people who find themselves out of a job only receive the standard 26 weeks of unemployment insurance.

Under a sweeping plan to be unveiled in February, federal training programs for permanently laid-off workers will be expanded and consolidated into what Secretary of Labor Robert B. Reich calls a "seamless" new Workforce Security Program (*see p. 64*). In addition to providing more training and aid, the program will establish a nationwide network of one-stop offices where job-seekers can electronically tap into all available aid.

Roughly 20 million American workers were displaced throughout the 1980s, primarily from manufacturing jobs. However, a trend toward corporate restructuring and white-collar layoffs is altering the picture. As a result, the large share of blue-collar workers in the unemployment lines declined over the decade, falling from about 65 percent in 1982 to 55 percent in 1990. [1]

Cutbacks announced in recent years by such behemoths as General Motors, IBM, Sears and, early this month, K-Mart, reflect the massive changes likely to affect the current labor market. Among the casualties: highly trained workers who had ascended the corporate ladder, but not to job security. [2]

Thousands of defense workers face layoffs with the shutdowns ordered last year of 130 military installations, as well as those base closings anticipated in 1995. The Clinton administration also expects to cut 140,000 management jobs as it seeks to reduce the federal work force by 252,000 positions, or 12 percent, over the next five years. [3]

Middle managers from the private sector already are feeling the heat. Although they make up only 8 percent of the work force, middle managers shouldered 19 percent of the cuts at 8,000 companies in 1992-93, according to a survey by the American Management Association. [4]

"We now have a large number of [unemployed] workers who have never been out of work [before]," says Reich. "They don't know what hit them. They're 45 years old, and suddenly they're out on the street. They've got mortgages. They have cars to pay off. This isn't just a problem of the working poor; it's not just a problem of the manufacturing blue-collar; it's right across the board."

Reich already was on record as a critic of government's failure to retrain workers when he left Harvard University to join Clinton's Cabinet. In his 1992 book, *The Work of Nations*, for example, he wrote: "The official reason given for why America cannot invest more money in infrastructure, education and training is that we cannot afford it. . . . Even if the necessary funds cannot be reallocated from elsewhere in the federal budget — surely a heroic assump-

Displaced Workers on the Rise

An average of 2 million workers were displaced each year from 1984 to 1989, but in 1990 the number of workers who lost their jobs grew to 2.5 million.

Source: Bureau of Labor, November 1993

tion, given the number of B-1 bombers and other military exotica being created to ward off communists, most of whom no longer exist (as such) — the claim that America cannot afford to spend more on the productivity of all its citizens remains a curious one."[5]

Many labor experts found it particularly odd that it took the opening of U.S. borders to Canada and Mexico to inspire a sharp re-evaluation of U.S. policy toward displaced workers. To win votes for the controversial North American Free Trade Agreement (NAFTA) during last year's rhetoric-filled debates, President Clinton pledged new attention to displaced workers' needs.*

Passage of NAFTA was a bitter loss for organized labor. According to AFL-CIO economist Sheldon Friedman, no aid program could fully offset the agreement's "damaging consequences for the vast majority of American workers."[6]

Now that NAFTA is a reality, Friedman acknowledges that the pact will have one benefit: It shines "a welcome spotlight on the glaring inadequacies of U.S. policies and programs to assist dislocated workers."

Labor experts generally agree that there will be winners along with the losers under NAFTA. Overall, U.S. employment is expected to increase, though many workers will lose jobs. Mexican industry, meanwhile, should continue to enjoy low labor costs for the next decade.

Given the likely trends, forecasters at DRI/McGraw Hill, a Boston consulting firm, say worker-assistance programs should stress training that exploits the competitive advantages of U.S. manufacturing, mainly areas where technological applications are fundamental.[7]

Sar A. Levitan, director of the Center for Social Policy Studies at George Washington University, argues that NAFTA is not the culprit in an eroding job environment. He blames weak government policies and the "culture of corporate downsizing" as the obstacles to greater worker security and a better job-training system.

House Majority Leader Richard A. Gephardt, D-Mo., said in September that he would not support NAFTA unless the White House pledged federal funds to retrain workers left unemployed in the treaty's wake. He said the trade pact did not protect U.S. workers because it didn't require Mexico to raise wages as its workers' productivity increases. Gephardt voted against NAFTA.

While job loss is a natural outgrowth of economic change, there is an especially "dark side" to today's dislocations, says Anthony P. Carnevale, president of the Institute for Workplace Learning at the American Society for Training and Development in Alexandria, Va. "Technology requires that companies build more flexible work systems," he says, "and flexible, in the end, is often just a fancy word for fired."

Carnevale, among others, feels that improving the economy will improve the lot of the displaced worker. And there are early indications that the picture may be brightening. Reich predicted Jan. 4 on ABC-TV's "Good Morning America" that about 2 million new jobs will be added to the U.S. economy in 1994 — the same number as in 1993. He also predicted that the unemployment rate, which stood at 6.4 percent in November 1993, would settle somewhere between that point and 6 percent during 1994.

Most of the new jobs, Reich says, will be higher-paid managerial and professional positions providing services to business; the others will be lower-paid restaurant and hotel positions.

"I want to stress that even though jobs are going to be in abundant supply, there still is going to be a greater and greater disparity between those who are prepared for them and those who aren't," Reich told TV viewers, emphasizing the importance of getting the nation in a "learning" mode.

Meanwhile, Brian Wessner and Doc Iler have experienced the despair and hope that accompany job seekers in the 1990s. Wessner is more optimistic since locating an outplacement assis-

*NAFTA went into effect Jan. 1, 1994.

Programs for Dislocated Workers

Trade Adjustment Assistance (TAA): Assists workers dislocated as a result of federal policies reducing barriers to foreign trade. A worker is certified for the program after the Department of Labor determines that increased imports contributed to decreased sales and, consequently, to worker layoffs. Established by the Trade Expansion Act of 1962, TAA provides training, employment services and job search and relocation allowances.

Economic Dislocation and Worker Adjustment Act (EDWAA): Provides retraining to dislocated workers who are unlikely to return to their previous industries or occupations. Offered through a network of local service-delivery offices, EDWAA provides basic education and literacy classes as well as on-the-job and skills training. EDWAA replaced Title III of the Job Training Partnership Act (JTPA) in 1988.

Clean Air Employment Transition Assistance: Provides retraining and readjustment aid to workers dislocated because of a firm's compliance with the 1990 Clean Air Act. The program is under the auspices of JTPA and offers services through the local service-delivery system.

Defense Conversion Adjustment: Provides retraining and readjustment aid to workers dislocated by defense cutbacks. The program was authorized in the 1991 Defense Authorization Act and comes under the JTPA.

Defense Diversification Program: Provides retraining and readjustment assistance to workers dislocated by defense cutbacks and base closures. Authorized by the 1993 Defense Authorization Act, the program comes under the JTPA and seeks to give workers slated to be displaced the skills needed to convent military facilities to civilian use. The program also provides limited funding to implement new production technologies to facilitate base conversions.

tance center for professionals. The federally funded center provides a reference library and a computer lab where he can scan job data bases. "It's given me a bridge to understanding the situation," he says. It also put him in touch with people who didn't treat him as if being a displaced worker is contagious.

Iler finally turned his termination into a rewarding new career. For the past eight years, he has counseled other displaced workers through a program sponsored by the United Steelworkers of America union and Bethlehem Steel. "When I first came down here 20 years ago," he says, "I didn't think I'd stay so long in the steel mills. I thought I'd go back to school. So this has been a blessing."

As the administration prepares to launch the Workforce Security Program, these are some of the issues that Congress will debate as it weighs the proposal against other domestic priorities:

Is the government doing enough to help laid-off workers?

Last year, about 360,000 displaced workers received federally sponsored classroom training, on-the-job training or job-search assistance. [8] That's a small fraction of the 2 million workers who lose their jobs annually.

The two principal federal job-training outreach efforts are the Trade Adjustment Assistance and Economic Dislocation and Worker Adjustment Assistance (EDWAA) programs. The Department of Labor, which administers TAA through state and local offices, spent $150 million on cash payments and services for 38,500 workers whose job losses were linked to imports in 1990. [9] Most of the affected workers were in the auto, apparel and electronics industries. For fiscal 1994, $190 million has been allocated.

Recent findings show that the TAA program has fallen short of its goals. Less than half the workers who used the program, for example, found employment that paid wages comparable to their previous earnings.[10] And only half of those accepted into the program sought job training; the others opted just to receive the program's trade adjustment allowances.[11]

In contrast to TAA, EDWAA programs help workers regardless of the reason for job loss. EDWAA aided more than 330,000 workers in 1991, mainly blue-collar workers and the chronically unemployed, while typically excluding professionals like Brian Wessner.

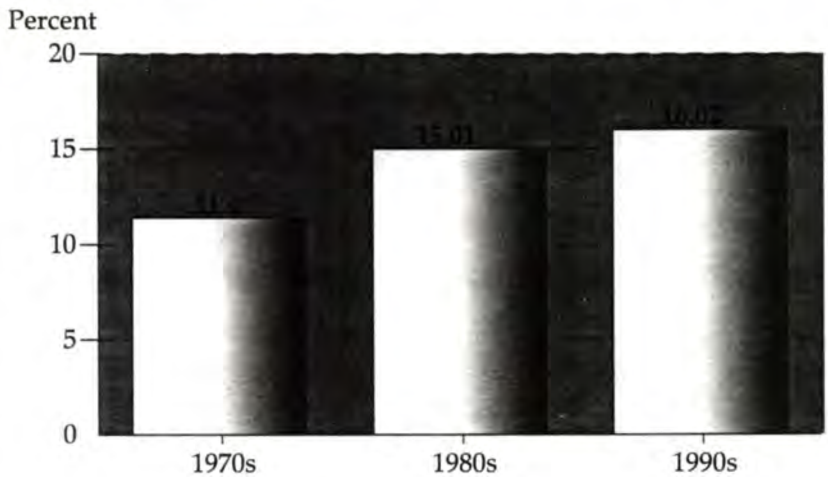
Figures released by the Congressional Budget Office (CBO) in February 1993 showed that roughly half of the displaced workers receiving unemployment benefits in the 1980s exhausted their benefits before finding another job. [12] CBO also noted that most displaced workers throughout the 1980s did eventually return to work, many with pay roughly comparable with that of their old jobs. Workers who incurred the largest pay cuts tended to be those who had been jobless the longest. [13]

"The truth is that most of the people that lose their jobs now are not going to get their old jobs back," says Reich. "The old concept of unemployment insurance as a bridge to tide you over until you got your old job back, until the recession ended, is simply obsolete."

Reich is equally convinced that "individualized, categorical job training programs for special groups of workers" are obsolete, too. Instead, Reich advocates a complete transformation from the current unemployment system to a re-employment system. (*See interview, p. 60.*)

Finding a Job Takes Longer

The percentage of displaced workers who were out of work for more than six months before finding new jobs has increased from 14.1 percent in the 1970s to 16.0 percent in the 1990s.



Source: Department of Labor, November 1993

Carnevale, an economist and job-training expert, counters that government programs aren't the problem. "We know how to treat dislocated workers," he says. "We can get them another job through job counseling and support groups. We just don't know how to guarantee them a job."

Although Carnevale agrees with Reich that U.S. labor market policy isn't particularly sensitive to workers, he blames the erosion of job security on the economy. Any proposal offered by the government for job retraining would only be "second best" to actually improving the economy, he says.

Similarly, many observers feel that job creation, either through jump-starting the economy with more funds or creating public-sector jobs, is the only way for government to soften the blow to displaced workers. In April, Clinton tried to pass a $16.3 billion stimulus package that would have funded construction and social service projects — and put thousands of people to work. But a bloc of Senate Republicans prevented a vote on the plan.

Joan Crigger, director of training at the U.S. Conference of Mayors, wonders whether Clinton has abandoned the stimulus concept, which was strongly advocated by many big-city mayors. "Is he just going to walk away from it?" she asks. "The mayors are still looking for more federal dollars for Community Development Block Grants, transportation and job training."

George Washington's Levitan advocates a jobs program akin to the Works Progress Administration (WPA), when President Franklin D. Roosevelt put tens of thousands of Americans to work building parks, bridges and roads. Later, the 1973 Comprehensive Employment and Training Act (CETA) had a public-jobs component, but it was viewed as scandal-ridden and too costly and abandoned when CETA was replaced with the Job Training Partnership Act (JTPA) in 1982. Nonetheless, Levitan says that what is missing from Clinton's vision of a new system for displaced workers is a job-creation component.

Many experts agree with Levitan that the current approach to job training and retraining should be enhanced but ask who will pay for a radical overhaul.

Carnevale thinks the answer is clear. "Community colleges are [going to be] the real winners," he says. Government can't afford to train all the workers who require more education, he explains, and four-year colleges haven't responded quickly enough to the need for more skills trainings.

David Pierce, executive director of the American Association of Community Colleges, says the government's short-term retraining programs have limited value in today's working environment and that many displaced workers will benefit from getting more training than existing programs offer, typically less than a year.

But government still can play an important role, indirectly, in job training, says Joseph F. Shopulski, director of industrial technology programs at Baltimore's Dundalk Community College. (*See story, p. 55.*) He defines that role as changing the rhetoric on job training, teaching workers how to learn and how to stay productive in a rapidly changing industrial world. "If the government doesn't do it, who does? People need leadership," he says.

Should industry assume more responsibility for training workers for new jobs?

There is a broad consensus that U.S. corporations, from the 1950s through the '70s, took advantage of a prosperous economy and legions of relatively unskilled workers with little consideration for the inevitable changes lurking on the industrial frontier. The downsizing and restructuring of businesses during the past decade are viewed as a natural, and necessary, response to industry's shortsightedness. What now alarms labor experts is how poorly equipped many of the displaced workers are to assume new jobs with higher skill requirements.

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Dundalk Community College: Putting People Back to Work

Dundalk Community College sits among the relics of Baltimore's industrial past and busily prepares for the future.

At the sprawling Bethlehem Steel Corp. just down the road from the modern campus, several mills have been shut down. Western Electric left the area a few years back. A General Motors plant nearby is still operating, but it's a pipsqueak compared with some of the facilities opening up overseas. This heavily industrialized section of the city has a new product now: large numbers of displaced workers.

That's why nearly 10,000 students a year flock to the college for some form of training or retraining.

"The only constant for the future is change," says President Martha A. Smith, adding quickly that today's student must "learn how to learn." At $50 a credit, or $1,200 annually (including books), it's "the cheapest education game in town," she says.

While two-year colleges may never achieve the prestige of four-year institutions, their training programs can efficiently position students for jobs. The country's more than 1,400 community colleges often work in tandem with local business and industry, preparing students or unemployed workers for immediate entry into the local work force.


Dundalk Community College

Computer classes are among the most popular at Dundalk Community College in Baltimore.

Four-year colleges, on the other hand, have not responded quickly enough to the changing work environment, says Anthony P. Carnevale, an economist and the president of the Institute for Workplace Learning at the American Society for Training and Development. Consequently, he says, "Community colleges are going to be the real winners. The economy is headed their way."

Labor Secretary Robert B. Reich calls community colleges "one of the great untold success stories of America." Reich also emphasizes the important role he expects the community schools to play in his sweeping Workforce Security Program (*see p. 64*).

Despite all the new attention, community colleges really aren't doing anything very different, says David Pierce, president of the American Association of Community Colleges. "We've changed in an evolutionary, more than revolutionary way," he says. "It has been the mission of the community colleges to work closely with government and industry for the past 25 years. We serve communities, and business is part of those communities."

Joseph F. Shopulski, director of industrial technologies at Dundalk, knows the college is "overlooked and overshadowed by the broader school system," but he sees its role as vital, nonetheless: "We deal with the bulk of the workers."


Dundalk Community College

Dundalk Community College President Martha Smith, left, and students.

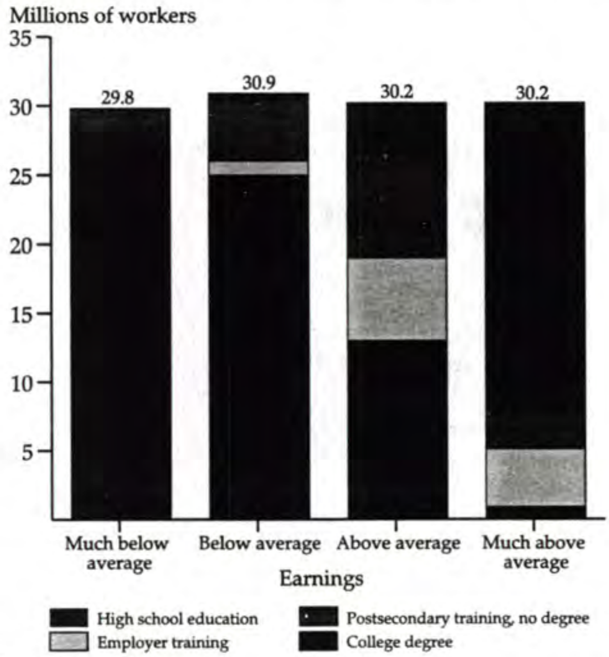
As industry attempts to retrain workers laid off from positions that no longer exist, Dundalk is pioneering a new program in customized training for particular industries, known as DACUM — or Developing a Curriculum. To do that, Smith and her staff maintain contacts in the career categories targeted for the training course. When they developed a leadership program for General Motors, for example, they gathered a panel of experts to help them ascertain what skills would be required by a contemporary manager in the automobile industry.

Dundalk's Cooperative Education (Co-Op) program combines classroom learning with paid employment in a related field. Yvonne Commadari, for example, earned college credits while assisting physical therapists at the Francis Scott Key Medical Center.

Dundalk also works closely with labor unions through its Center for Labor Education and Research, which offers courses customized to meet a particular union's training needs. "The ways in which our government, unions, higher education and businesses choose to address change will dictate the quality of life for our citizens in the 21st century," says Smith. "We must all be equal partners in the process of preparing workers for the future."

How Education Affects Earnings

The amount of education workers have is directly related to their earnings. Workers with college degrees made up the largest group with above-average earnings in 1992, while those with only high school educations constituted the largest group with below-average earnings. Similarly, a majority of workers with additional education beyond high school had above-average earnings.



Source: Bureau of Labor Statistics

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An influential 1990 study, "America's Choice: High Skills or Low Wages!" demonstrated that most employers didn't expect work force skill requirements to be changing. "Despite the widespread presumption that advancing technology and the evolving service economy would create jobs demanding higher skills," the authors noted, "only 5 percent of employers are concerned about growing educational skill needs." [14]

Roughly $30 billion — about 1 percent of the payroll — is spent by U.S. business annually to train workers, according to the Institute for Workplace Learning. Most of the benefits, says institute President Carnevale, go to managers and upper-level workers. Foreign firms, by contrast, spend up to 6 percent of payroll on training and devote a significant portion of that to the frontline workers. [15]

Rae Nelson, executive director of the U.S. Chamber of Commerce's Center for Workforce Preparation, admits that "for a long time, corporations were not ahead of the curve." Now that NAFTA and the beleaguered defense industry have spotlighted displaced workers, Nelson says, business leaders are starting to take a "longer-term approach" to the problem.

In Pensacola, Fla., for example, the local Chamber is working closely with employees at the Naval Air Station and Naval Aviation Depot, both slated for closure. Bonny Johns, manager of the transition center established to help relocate the 3,000 civilian workers at the base and 3,500 workers in related activities, says she regularly gets a number of calls from local businesses that are attempting to match people losing jobs with opportunities for employment.

Bethlehem Steel is one of many corporations offering outplacement assistance. Doc Iler reports that counseling has helped some workers find good, new jobs nearby. "Others had to settle for temporary jobs," he says. "The vast majority of people generally had to be completely retrained out of manufacturing into such jobs as computer and electronics repair."

The United Steelworkers now has a new contract with Bethlehem, whose 1950s work force of 30,000 has dwindled to 5,000, that promises no more layoffs.

"I think that NAFTA has shaken up the business community a bit," says Reich. "It saw that deep anxieties and frustrations in the American work force are broader than just among organized labor."

Business may have a lot of catching up to do on the job-training front, according to some economists. The approach of private companies, says Carnevale, had been naive: "If we modernize, the work force will come." When the workers turned up at the new computerized factories, however, they were largely unskilled. In fact, the number of workers who received training to improve job skills surged 39 percent between 1983 and 1991, while total employment climbed 19 percent. [16]

More jobs now require reading, mathematics and communications skills. Even once-lowly service jobs like the checkout clerk have become "technologically empowered," as Reich puts it. A computer-equipped checkout clerk, for example, can control inventory and decide when to reorder items. "Instead of replacing her," Reich writes, "the computer empowers her to assume more responsibility and thus add greater value to the enterprise." [17]

To gear up for the increasingly

competitive global market, some companies are transforming the basic factory structure into what's known as the high-performance workplace. Corning Inc. reopened a ceramics plant in Blacksburg, Va., in the late 1980s with automated production lines tended by fewer but better-trained workers. Operating in teams, they are each capable of performing every task in the production process.

Corning sort of stumbled into the future. The company had shuttered the plant in 1983, but when it could not sell the building a decision was made to try again. This time around, Corning needed a very different work force. The average Corning production worker now has two years of college and solid math and writing skills. "Our people need basic algebra and pretty good math skills to deal with the statistical process control in the plant," said John C. Yearick, director of employee relations and services.[18]

Both Shopulski and Pierce say Corning's Blacksburg plant indicates that industry is doing what it can to change the structure of the workplace to stay competitive and to stem the flow of displaced workers. "It's not altruistic," says Shopulski. "They're doing it for survival."

Will training enable displaced workers to find new jobs matching their old salaries and responsibilities?

The Bureau of Labor Statistics (BLS) predicts that total U.S. employment will increase to 147.5 million workers in 2005, up 22 percent from 121.1 million in 1992. That's a slightly higher rate of growth than during the previous 13-year period, and the BLS says that jobs will continue to be generated for all levels of education and training.[19]

Few workers losing jobs today can expect their old jobs back, no matter how much the economy improves. Recent statistics indicate that only 14 percent of those laid off between July 1990 and June 1992 can expect to be recalled, compared with 44 percent of laid-off worker who returned to their former jobs over the prior four recession periods.

Traditional blue-collar factory workers will need the most training. About 1 million manufacturing jobs were lost annually between 1981 and 1990.[20] Yet fewer than 1 million manufacturing jobs are projected to open up in the next 10 years. Most of the more than 25 million new jobs expected will provide some type of service.[21]

And Reich insists that they should not be equated with low-echelon, minimum-wage positions. "The business service job is everything from technical sales support, lab technicians and paralegals to systems analysts," he says. "These are good jobs, the new middle-class jobs, replacing the factory work of 20 or 30 years ago as the gateway to the middle class."

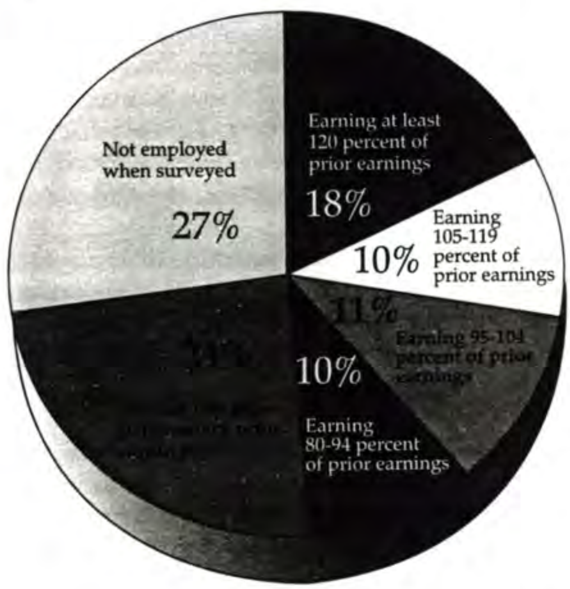
Even traditional low-wage service jobs in retailing, restaurants, hospitals and hotels are changing rapidly, Reich says. "Many of these people are technically trained, they understand what they're selling," he says. "They're paid well for their technical competence."

But Friedman, the AFL-CIO economist, counters that most of the jobs opening up now are low skill and low wage. "The fast growth is in jobs such as janitors and burger flippers," he says.

Indeed, earnings for service workers were about 40 percent below the average for all occupational groups in 1992. Part of the reason, according to the Department of Labor, is that almost a third of these employees had less than a high school education, and many worked only part time.[22]

Old Earnings Hard to Match

One to three years after losing their jobs in the 1980s, more than 60 percent of the affected workers either were not working or had new jobs that paid less than 95 percent of their old earnings. In contrast, more than a quarter of the workers had been re-employed and were earning at least 5 percent more than their previous earnings.



Source: Congressional Budget Office, Displaced Workers: Trends in the 1980s and Implications for the Future, *February 1993*

Friedman believes that it is important to offer training in new skills to displaced workers, even if they are being prepared for a letdown in wages. "I liken this to throwing a six-foot rope to someone drowning 12 feet offshore. Do you throw them a longer rope or take the rope away?"

He suggests that a greater investment in training, including longer programs, would offer a better shot at a different job with similar benefits, salary and security.

Reich intends to include longer training programs in his Workforce Security proposal. "A lot of research, experiments around the country show that for many people, a year of training is a wise investment and a good social investment," he says. "For the individual, the return is about 6 to 12 percent on future salaries."

In some cases, in fact, training in a new set of skills replaces once-valuable skills that have become obsolete. In its study of displaced workers in the 1980s, the Congressional Budget Office found that the level of wages earned in a previous job rewarded the worker for knowledge that might not be useful elsewhere. "This 'firm-specific human capital,' as economists call it, enables workers to be more productive and thus worth more to their employer than to other employers," according to the study. "The elimination of their job — for whatever reason — essentially destroys the value of such capital." [23]

Many workers re-entering the job market may find that they are over-educated and under-skilled for the jobs opening up in the 1990s. "There is still a very strong feeling that a B.A. degree is essential, an admission ticket to success," says Pierce, of the community colleges association. The unfortunate result, he observes, is a "mismatch between the level of education and the jobs that are available." The proof can be found, he says, on the campuses of community colleges around the country, where between 15 and 30 percent of the students graduated from four-year institutions, only to discover they had no marketable skills.

George T. Silvestri, a BLS economist, predicts faster-than-average growth for low-rung service jobs. Workers in these jobs will have the lowest earnings, and relatively few have college educations. In fact, a high proportion won't have high school diplomas.

However, employment also is expected to grow faster than average among workers in three occupational groups generally requiring advanced degrees: executives, administrators and managers; specialists in professional fields, such as certified public accountants; and technicians. In 1992, these areas boasted the highest-paying jobs and the largest proportion of workers with at least four years of college. [24]

"There is no question that people with more education are doing better," says Carnevale. ■

BACKGROUND

Early Layoffs

When Frederick Winslow Taylor went to work as a gang boss in 1878 at the Midvale Steel Co. in Philadelphia, the young engineer found the structure of the work force far more intriguing than the forging of metal. When he left Midvale a decade later, he brought with him the ground-breaking principles of production management he had formulated. He went on to organize manufacturing plants for such industry giants as Bethlehem Steel, and even to influence the development of Henry Ford's assembly line. [25]

In essence, Taylor applied "time and motion" studies to the most complicated manufacturing processes, breaking them down into simple, individual tasks that workers with little education and minimal training could master. By performing one task all day, each worker would develop machine-like efficiency.

"Taylor did not invent mass-production methods," write former Labor Secretary Ray Marshall and labor economist Marc Tucker, "but he perfected them, provided a rationale for them and served as their most effective champion." [26]

As inhuman as this system may seem now, it ignited the economy. The output of manufactures increased by 64 percent from 1919 to 1929, even as the labor force declined. [27]

While displaced workers typically are thought to reflect declining economies, they often characterize thriving ones, as well. Advancing technology and the increased globalization of the world economy have displaced American workers throughout the 20th century, forcing many to make several job transitions during their lives.

Some individuals can handle changes easily; others find them traumatic. Not surprisingly, work transitions are easier in times of prosperity, and it is quite possible that as many people must make work transitions during periods of growth as in periods of decline. [28]

According to Carnevale, there was as much churning in the workplace and concentration on job training during the 1950s as there is now. "The difference is that then we were facing an expanding economy. Now, the economy is restrained . . . making it more painful." As a result, he notes, a displaced autoworker at General Motors a few decades ago would most likely have stayed at GM, even at a higher-paying job, as the company evolved and expanded.

"The Most Profound of All Displacements"

The end of World War II was followed by the mass exodus of workers from farms to cities — "the most pro-

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