[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 3/15/94

TO: TONY LAKE

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

[redacted]

Why is this being
routed through
the V.P.?

[redacted]

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE VICE PRESIDENT

FROM: ANTHONY LAKE
BERNARD NUSSBAUM
JOHN PODESTA

SUBJECT: NSC Status

Purpose

To decide whether to litigate or settle a lawsuit concerning the status under the Freedom of Information Act of the National Security Council.

Background

Armstrong v. Executive Office of the President is a long-standing suit brought by National Security Archives and others to gain access under the Freedom of Information Act (FOIA) to E-mail and other records generated by the NSC during the Reagan and Bush administrations. The litigation has expanded over time to include the entire EOP, current E-mail, and the guidance provided employees concerning the preservation of E-mail. We have made a major effort to settle this case. We should be able to agree with plaintiffs on most issues, since unlike the prior Administration, we agree on the importance of treating E-mail as records to be properly preserved.

One issue, however, eludes settlement -- the status of the NSC under the FOIA. For decades, the NSC has treated most of its records as presidential because they are created to provide advice to you, through the National Security Adviser. The NSC has, however, traditionally made certain categories of its documents available under FOIA (e.g., administrative files, intelligence oversight records, and documents relating to its inter-agency coordination function). Such documents have also become part of the permanent NSC files, and remain with the NSC from Administration to Administration.

In settlement talks, we have offered to continue to treat many of the NSC's records as subject to FOIA. Plaintiff's position, however, is that the NSC is a federal agency, whose records are all subject to FOIA. For settlement purposes, plaintiffs are willing to exempt from FOIA those records produced by NSC staff for Tony and Sandy, or for Tony and Sandy to send to you, and your notes to Tony and Sandy, to the extent that distribution of those records is tightly controlled. Even these documents,

cc: Chief of Staff

however, would become federal under plaintiffs' proposal when made generally available within the NSC staff, i.e., shown to more than three people. Memoranda to Tony and Sandy or from Tony to you frequently are reviewed by several regional or functional offices in the NSC with relevant expertise. (Currently, NSC presidential records lose their presidential status only when distributed to Cabinet agencies; generally, only formal decision documents and interagency produced documents, not internal NSC documents, are distributed outside the White House.)

Further offers by us are likely to produce little movement by plaintiffs who are eager to litigate that the NSC is a totally federal agency. We must, therefore, decide to litigate the case or settle essentially on the basis of plaintiff's latest offer.

<u>Discussion</u>

Option 1 -- Litigate

Tony Lake and Bernie Nussbaum believe plaintiffs' settlement offer is unacceptable and the issue should be litigated. (Joel Klein has reviewed the matter and concurs.) The status of the NSC affects important presidential prerogatives. Presidential records remain subject to your control for up to 12 years and are not fully subject to FOIA until that time; federal records are retained and can be disclosed by a succeeding Administration. The NSC staff serves as the President's staff, reporting through Tony; its sensitive records warrant the same protection accorded to the records produced by the staff of the DPC, OEP, and NEC, for example. Viewing the NSC as presidential is consistent with the status of the CEA, which has been sustained by the courts as presidential. It is also consistent with the special responsibilities the Constitution accords to the President for national security matters.

Moreover, Tony and Bernie are concerned that implementing plaintiff's offer would impede the efficient operation of the NSC. NSC staff are fully integrated into the White House. Many NSC staff are dual-hatted, with roles in the NEC, OEP, Counsel's office, Press office, and Office of Legislative Affairs. Information moves routinely between them; the NSC is also connected by E-Mail to the Vice-President's office. Accepting the plaintiffs' offer would mean that communications between the White House and NSC staff could lose their presidential status unless directed solely to Tony or Sandy, (an impractical solution given the flow of information between NSC and White House staff).

Litigating the case does have downsides. Because all the case law to date indicates that an entity must be solely presidential, or else it is entirely federal and subject to FOIA, we believe the best litigating strategy (if not the only <u>viable</u> litigating strategy) is to assert that all of the NSC's records are presidential. It is possible we will lose the litigation, and be found all federal and subject to FOIA. Also, plaintiffs will put our litigating posture in the worst possible light -- seeking to portray us as more secretive than the Reagan and Bush administrations, which made some NSC records available under FOIA. And, if we prevail, we will have made it possible for future administrations to withhold all NSC documents from FOIA inquiries.

We would intend to offset this criticism by pointing out that all NSCs have asserted that they create primarily presidential material and that we are taking the position that the NSC is solely presidential only because the court has indicated that is the only way to continue to protect NSC material traditionally treated as presidential. We will also propose that you direct, perhaps through an Executive order issued a few days before our brief is due, that the NSC continue to process public requests for certain categories of NSC records. We will also brief relevant members of Congress prior to filing our brief.

Option 2 -- Settle on Plaintiffs' Terms

John Podesta recommends this option.

John agrees that plaintiffs' offer is not where we would choose to come out, and would have us continue to negotiate to improve it. However, given our long history of the NSC treating itself as a federal agency, he believes that we are likely to lose the litigation asserting the NSC is presidential. Failure to accept plaintiffs' offer, in his view, will lead to a court decision that we are totally federal. He also cautions that treating core National Security Decision documents as presidential may result in cutting off access from one Administration to the next of critical foreign policy decisions, which is not wise policy. He argues we should avoid the adverse publicity of litigation by going to plaintiffs' bottom line now, which does protect the most sensitive advice documents.

The NSC Legal Adviser, Department of Justice and Counsel's office believe we have a reasonable chance of prevailing in the litigation. NSC and Counsel also believe that a public decision by you to leave behind certain NSC documents for the next Administration, combined with 45 years of similar practice by previous Administrations, will create a strong disincentive to a subsequent Administration curtailing access to NSC documents even if we establish in Court that a President could do so as a matter of law.

If you decide we should litigate, John endorses the proposal of a Presidential decision to continue permitting FOIA access to many of the NSC's documents, both to offset the adverse media criticism and to institutionalize a good NSC practice.

RECOMMENDATION

That you authorize us to litigate the status of the NSC on the basis it is solely presidential. (Tony Lake and Bernie Nussbaum recommend.)

Approve _____ Disapprove _____

Alternatively, that you authorize us to settle the Armstrong litigation on the basis of the plaintiffs' settlement offer. (John Podesta recommends.)

Approve _____ Disapprove _____

THE PRESIDENT HAS SEEN 3/11

THE WHITE HOUSE

WASHINGTON

94 MAR 9 P6:58

March 9, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BILL BURTON Bill Burton

SUBJECT: Austin editorial

Our friend Judy Trabulsi recently sent me this editorial, from a few weeks back, from the Austin American-Statesman. She really enjoyed our all getting together at Chuy's for late-night enchiladas in Houston recently.

[redacted]

cc HURC

Correspondence

CS

[redacted]

President's words recall often-forgotten virtues

Maybe it was the inspiration of sharing a platform with Mother Teresa, but some of President Clinton's remarks Thursday at the National Prayer Breakfast concerning self-absorbed Washington, D.C., had the ring of heart-felt sincerity. They are also more widely applicable than just to the nation's capital or just to politicians.

Clinton said Washington officials should be "focused on others, not ourselves." He included himself in the category of those who forget to be humble, fair, honest and forgiving.

"If Christ said we would all be judged by how we treated the least of these — the hungry and the naked, the strangers, the imprisoned — how can we meet that test in a town where we all spend so much time obsessed with ourselves and how we stand on the totem pole and how we looked in the morning paper?" the president, a Southern Baptist, said.

Speaking of political accomplishments, Clinton said: "Five years from now it will be nothing. Five hundred years from now the papers will be dust and all that will endure is the strength and the integrity and the beauty of what we felt and what we did."

Certainly Clinton, like everyone else, is and will continue to be an imperfect human being. Few of us can look at ourselves in the mirror honestly without the occasional flinch.

But it is pretty rare for an accomplished politician to stand up in public and accept blame for anything, let alone for forgetting to be humble, fair, honest and forgiving. Or for one to indicate that not everything done in official Washington is of either lasting importance or designed to have a positive impact on the lives of the people whose votes put the politicians in office.

[redacted]

Words, of course, are not deeds. But an intellectual and spiritual grasp of what ought to be is necessary before one can begin to try to bring what ought to be into reality.

The president's words contained a large nugget of truth from which we can all benefit: Idealism is not window dressing but a foundation without which we cannot build anything good and lasting.

[redacted]

THE WHITE HOUSE

WASHINGTON

94 MAR 10 P7:42

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: CONGRESSWOMAN ROSA DELAURO

Fax Number: 225-4890 **Phone Number:** 225-3661

FROM: John Podesta

SUBJECT:

DATE: 03/10/94

NUMBER OF PAGES (including cover sheet): 7

MESSAGE:

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

Talking Points on Whitewater
(3-9[2]-94)

Full Disclosure and Cooperation

- As the President said yesterday (March 8), he welcomes the Special Counsel's inquiry and is committed to cooperating in every way so that the inquiry can proceed and the air can be cleared.

- Upon receiving the Special Counsel's subpoena last Friday evening, the White House moved immediately to ensure that no documents would be lost or destroyed and has been fully and promptly complying with all the terms of the subpoena.

- At this point, all White House staff have thoroughly searched their offices -- including wastebaskets, e-mail and files -- and provided to White House Counsel's office all documents responsive to the subpoena.

- **Special Counsel Robert Fiske has acknowledged that the White House is being fully cooperative.**

Special White House Counsel Lloyd Cutler

- Lloyd Cutler, the new Special Counsel to the President, is a man of seasoned judgment, impeccable professional credentials and the highest ethical standards. He will provide a firm, uncompromising and steady presence in the White House.

- As Mr. Cutler said yesterday, trust is the "coin of the realm" in government, and he will help maintain that trust.

Whitewater -- A Little Perspective

- In the midst of both a concerted, partisan effort to whip up Whitewater into the moral equivalent of Watergate or Iran-Contra, and an overheated press eager for any tidbit seeming to contain the hint of scandal, it is worth stepping back for a moment to see the forest for the trees.

- Let's be clear about what Whitewater is and what it is not. It is not, as Watergate was, about an abuse of White House power and an attack on our Constitution. It is not, as Iran-Contra was, about the deliberate deception of Congress. Nor, as some have suggested, is it about a coverup -- the President is fully committed to complete cooperation with Special Counsel Robert Fiske. And so is Lloyd Cutler.

- Whitewater, instead, is about an unsuccessful real estate investment the Clintons made over 15 years ago:

  - **The Clintons borrowed no funds from Madison Guaranty or any other S&L to finance their investment in Whitewater;**

  - **The banks which financed the purchase of Whitewater were fully repaid;**

  - **The investment produced a large loss for the Clintons;**

  - **There has not been a single credible allegation of wrongdoing by the President or the First Lady.**

- A variety of allegations have been made by the press and others. All will be and should be thoroughly examined by Mr. Fiske. But let us keep some perspective. As Al Hunt of the Wall Street Journal has said:

  > **"Whitewater involves relatively small dealings a decade ago, when Bill Clinton was governor of Arkansas, in contrast to the wholesale criminal mugging of the Constitution [in Watergate]."**

- The Whitewater allegations range from the completely unsubstantiated to matters of interpretation and are being blown out of all reasonable proportion. These are the principal charges:

  -- That the Clintons paid less to acquire Whitewater than did their partners, Jim and Susan McDougal -- even though the entire transaction was financed by loans on which the Clintons and the McDougals were equally liable;

  -- That funds in the form of cashiers checks were sent from Madison Guaranty (the S&L owned by Jim McDougal) to retire then-Governor Clinton's 1984 campaign debt -- no one has ever even suggested that Governor Clinton was aware of these checks;

  -- That Governor Clinton put in a new State Securities Commissioner, Beverly Bassett, to go easy on McDougal and Madison -- even though Ms. Bassett forced McDougal out of Madison within 18 months of her appointment;

  -- That Governor Clinton urged the owner of a small investment company chartered by the Small Business Administration, David Hale, to make an improper loan to McDougal's wife -- a claim corroborated by no one else and not made by Hale until he was engaged in an effort to get a better deal on criminal charges that he defrauded the SBA;

-- That the Rose Law Firm was insufficiently sensitive to conflicts of interest in representing the FDIC on behalf of Madison and other S&Ls -- even though career officials at the FDIC examined the alleged conflicts and found no impropriety.

- The real reason that Republicans have latched on to Whitewater with a vengeance is that their political cupboard is bare and they are desperate to find a way to slow this Administration down.

- They can see that this is an Administration in tune with the American people, tackling long-neglected problems and getting things done. Helping to create a growing economy that has produced over 2 million jobs; cutting the deficit; boosting investment; expanding trade through NAFTA and GATT; cracking down on crime and guns; making college loans more affordable; creating a new national service program; and setting our sights on such pivotal goals as health care reform, welfare reform, and worker retraining.

- In short, Whitewater is two things. It is a set of real, albeit relatively minor issues concerning events which occurred years ago in Arkansas and whose examination is in the capable hands of Robert Fiske. But, it is also a political strategy by which some hope to frustrate the objectives of this Administration.

- Anyone not interested in just playing politics should stand aside and let the Special Counsel do his work.

WSJ 3/10/94

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Margaret Williams, Mrs. Clinton's chief of staff.

"I'd describe it as a 'heads-up' and a very stiff conversation," Mr. Altman told the Banking Committee last week. In a subsequent letter to the committee, he said, "There was no discussion whatsoever on the substance. . . . That's because I have never had, nor have, any knowledge of the substance."

Ms. Hanson – who worked closely with Mr. Altman, often joining him for his twice-a-week staff meetings at the RTC–sat behind Mr. Altman at the Banking Committee hearing, but he says she never told him that there had been other meetings between the Treasury and the White House. He says he didn't learn of them until reporters began inquiring last week. Ms. Hanson didn't return a reporter's call on the matter.

A Similar Case Holds Lessons

This isn't the first time the White House has dabbled in a thrift issue involving the first family. In a book published last year, former Federal Deposit Insurance Corp. chairman William Seidman recounted how, during the Bush administration, the FDIC's chief counsel relayed to thrift regulators a question from White House counsel Boyden Gray about whether there was any way to move the case against the president's son Neil Bush, the director of a failed Colorado thrift, from the administrative process into the courts. After regulators complained to the Treasury inspector general, the FDIC official was reprimanded and his bonus withheld.

"The entire incident is of no consequence," Mr. Seidman observed, "except for what it can teach us about how Washington works and the ill-advised knee-jerk repsonse that is too often caused by White House requests."

Mr. Altman says he hasn't read the Seidman book.

–Paulette Thomas contributed to this article.

Probe of Mrs. Clinton's Stockholdings Is Sought by 81 GOP House Members

By CHRISTI HARLAN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Some 81 Republican members of the House asked the Office of Government Ethics to investigate Hillary Rodham Clinton's holdings in an investment partnership that sold short several health-care stocks early last year.

Mrs. Clinton, wife of President Clinton, has been a limited partner since 1986 in ValuePartners I, a hedge fund managed by **Smith Capital Management** of Little Rock, Ark. Among other investors in partnerships sponsored or managed by Smith Capital was James McDougal, former chairman of the failed Madison Guaranty Savings & Loan Association and former business partner of the Clintons in Whitewater Development Co., the Republicans' letter said.

A 1986 financial statement for Mr. McDougal and his wife, Susan, lists among their assets Whitewater Development as well as three separate interests in unspecified "Value Partnerships," totaling $142,060. The statement was obtained by The Wall Street Journal.

'Appearance of Impropriety'

Mrs. Clinton's investment, held at the same time she headed the presidential task force on health-care reform, "constitutes the appearance of impropriety and conflict of interest," said the letter signed by Louisiana Rep. Robert Livingston and 80 other representatives.

Mrs. Clinton's interest in the hedge fund was disclosed last May in filings with the ethics office. At the time, a White House representative said that Mrs. Clinton "has no input, communication, review, oversight or control over the investments that the fund makes." The representative couldn't say for certain that Mrs. Clinton was unaware that her money was invested in medical-company stocks.

Rep. Livingston and his co-signers cited Mr. McDougal and other, unidentified friends of Mrs. Clinton who were participants in Smith Capital investments as people who were in a position to inform Mrs. Clinton that ValuePartners I was selling short health-care stocks.

Six Reports to Investors

In addition, the letter said, Smith Capital issued at least six reports to investors in its partnerships in 1992 and the first six months of 1993, reporting its short sales of health-care and pharmaceutical stocks.

Hedge funds, such as ValuePartners I, are aggressive investment pools that can buy stocks with borrowed money and can sell stocks short – that is, borrow shares and sell them at current prices in anticipation of replacing them at lower prices.

"At the time that Ms. Rodham Clinton's actions caused the drop in the prices of these stocks, her personal investment in ValuePartners I, of which she had repeated notice, was intentionally structured to profit from price declines in pharmaceutical company stocks," the letter said.

Placed in Blind Trust

The fund, and other of the Clintons' holdings, were placed in a blind trust last July.

Rep. Livingston and his colleagues previously asked the Securities and Exchange Commission whether it was investigating the short sales of ValuePartners I. The commission, as is its policy, responded that it could neither confirm nor deny the existence of an investigation.

Value Partners Investment -- Talking Points
(3/10/94)

- The charge that Mrs. Clinton unethically sought to profit from her investment in Value Partners, a private mutual fund, that, among other things, sold health stocks short is bogus.

- The February 10 letter from Stephen Potts, Director of the Office of Government Ethics, responding to inquiries from Republican Congressmen Livingston, Gekas and Cox, should have put that charge to rest. In that letter, Mr. Potts -- a **Bush appointee** serving a five-year term -- **flatly states that there is no basis for investigating the First Lady's investment in Value Partners under <u>any</u> applicable federal ethics rules.**

- The new letter sent yesterday by 81 House Republicans to OGE is a blatantly political attempt to keep this non-issue alive. But, whether 3 or 81 or 101 Republicans sign letters to OGE, the OGE analysis doesn't change -- nothing about Mrs. Clinton's investment in Value Partners was improper:

  ♦ **To begin with, Mrs. Clinton has never had any input into, control over, or review of investment decisions made by Value Partners about health stocks or any other kind of stocks.**

  ♦ In particular, in 1992 and 1993, she never received any information indicating which stocks were sold short and never had any input into, control over or review of any short sales.

  ♦ Value Partners held long as well as short positions in health stocks and any gains from short sales were more than offset by losses on long positions. **In short, from January through June, 1993, the fund <u>lost</u> money on its health portfolio.** [Reported in <u>Wall Street Journal</u>, 5/21/93] (That portfolio amounted to about 10-15% of its total holdings.)

  ♦ Overall, from January through April, 1993 -- the last period for which Mrs. Clinton received an performance report -- Value Partners **lost** 6.3%, while the Dow Jones Industrials were going up by 4.8% and the S&P 500 Index was going up 1.9%. For Mrs. Clinton, this meant a loss of around $5000.

  ♦ Mrs. Clinton has not spoken to the investment manager of Value Partners, William Smith, since August or September 1992 and did not discuss stocks with him at that time. Smith confirmed this in a July 1993 interview with <u>Money</u> Magazine.

  ♦ **In July 1993, Mrs. Clinton placed her Value Partners investment in the Clintons' blind trust, which has been approved by OGE.**

Q: What about the contention in the new Livingston letter that a list of short sales by Smith Capital (the fund manager of Value Partners) was attached to the President's financial disclosure forms filed in November 1991, May 1992 and May 1993. In view of such a list, wasn't the First Lady aware of Value Partners' short sales?

A: Information concerning Value Partners' portfolio -- both long and short positions -- was not attached to the President's financial disclosure forms until that information was several months old and useless for determining current short positions held by the fund. In other words, that information would have been of absolutely no use to someone trying to increase the value of the portfolio through short sales.

03/10/94

Ricki,

We have this bill in our office now.

The last day for action is 03/19.

Sharon/
John Podesta's ofc.

FW
Let me know
JDP

13

...ismic Retrofit Bill

JOAN BAGGETT		PAT GRIFFIN	✓
REBECCA CAMERON		JOHN PODESTA	✓
MARK GEARAN		JACK QUINN	
DAVID GERGEN		CAROL RASCO	
CINDY GIRE		BOB RUBIN	
MARCIA HALE		PATTI SOLIS	
ALEXIS HERMAN		GEORGE STEPHANOPOULOS	
NANCY HERNREICH	✓	ANN STOCK	
HAROLD ICKES		CHRISTINE VARNEY	
PHIL LADER	✓	DAVID WATKINS	
ANTHONY LAKE		ANNA WINDERBAUM	
BRUCE LINDSEY		MAGGIE WILLIAMS	
MACK McLARTY	✓	MELANNE VERVEER	
FILE:	HOLD my check-in box	JOE VELASQUEZ	
CC:		TONY WILSON	
		Steve Richetti	✓

FOR YOUR INFORMATION ✓ 3/19 ADVICE ACTION

COMMENTS:

John - will you please advise Ricki when S1789 arrives in the White House.

Thank you ...

THE WHITE HOUSE

WASHINGTON

Schedule Proposal

Date: 3/4/94

Accept ✓ Regret _____ Pending _____

photo op / note deadline / per staff secy's office

TO: Ricki Seidman
Assistant to the President and Director of Scheduling and Advance

FR: Steve Ricchetti
Deputy Assistant to the President for Legislative Affairs for the Senate

REQUEST: Senator Boxer would like to be present when POTUS signs S1789, the Seismic Retrofit Bill. This is very important to the Senator.

BACKGROUND: This is Senator Boxer's first bill and has special significance because it deals with the earthquake. The bill was passed this week and will reach the White House early next week.

PREVIOUS PARTICIPATION: Senator Boxer was most recently at the White House for dinner on Thursday, 3/3.

DATE AND TIME: Within ten days of the arrival of the bill. It is expected on Monday, 3/7.

DURATION: Ten minutes.

LOCATION: Oval Office.

PARTICIPANTS: Senator Barbara Boxer (D-CA)

OUTLINE OF EVENTS: Senator Boxer enters the Oval, POTUS greets her, signs the bill, gives her a pen, takes a photo and she departs.

REMARKS: None required.

MEDIA COVERAGE: White House photo only (that she can release to CA papers).

CONTACT: Steve Ricchetti, 66493, or Cassie O'Neill, 66620.

THE WHITE HOUSE
WASHINGTON

DATE: 03/10/94

NOTE FOR: BOB BOORSTIN

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

[redacted]

Information	☐
Action	☒X

Please see the President's note --

'Have Erskine or someone at SBA call him.'

BOB -- I would like you to handle making this call.

Thanks.

Thank you.

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

cc:

[redacted]

[redacted]

Haas
Evslein or someone
at SBA called

[redacted]

[redacted]

THE WHITE HOUSE

WASHINGTON

March 9, 1994

André Simon
11121 Rodney Parham Road
Little Rock, Arkansas 72212

Dear André:

Thanks for your letter and for sharing your concern about the impact our health care program will have on businesses like yours.

I deeply appreciate your suggestion that we find a way to better explain the program's effect on small business, and I'll carefully consider your recommendation.

Sincerely,

Bill

Andre's

Mr. & Mrs. Bill Clinton
President of the United States
1600 Pennsylvania AV
Washington DC 20500

L.R 3 march 94

Mr. Ms. Clinton.

I see you and your wife on TV almost every day talking about healthcare, but it is never long enough for us to understand what it is all about and what the cost will be for small businesses. I think this is a big factor for businesses like mine we are very scared of this. It could cause us to lose the business we have worked so hard to establish for many years. Maybe you could put out a newsletter, or town meeting for small enterprises. Although I speak for myself, it may also help the goal you want to achieve if the peoples of the United States are behind you. This is just a idea I have, I hope I can help you in the future. I always supported both of you ever since I came into this county. I would hate to see all of your hard work on this wonderful plan being defeated by the Senate.

Sincerly yours

Andre Simon

11121 RODNEY PARHAM • LITTLE ROCK, AR 72212 • 224-7880 / 805 N. BEECHWOOD • LITTLE ROCK, AR 72205 • 666-9191

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: March 10, 1994

94 MAR 10 P12:23

Date of Request:	2/17/1994
Request for:	POTUS
Type of Request:	Honorary Sponsor
Requestor Name:	Ms. Cindy Rambo
Title:	Executive Director
Organization:	Planned Parenthood Alameda/San Francisco 815 Eddy Street San Francisco, California 94109
Contact Tel. #:	415/441-7858
Event Date:	4/22/1994
Event Description:	*The Choice Affair* 1994 Annual Dinner at The Ritz Carlton in San Francisco
Notes:	This event will be Co-Chaired by James and Astrid Flood. Planned Parenthood Alameda/San Francisco has been serving its community for over sixty years with reproductive health services and education. A reply is requested by March 14th in time for the programs to go to print.
Recommendations:	

PL ________ JP NA ________

3.10.94

Dan
4-22/94

Planned Parenthood
Alameda/San Francisco

FEB 25 1994

February 17, 1994

rec'd 3/7/94
DWB

President Bill Clinton
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear President Clinton:

Planned Parenthood Alameda/San Francisco will hold its gala Annual Dinner this year on Friday, April 22 at The Ritz-Carlton in San Francisco. We would like to extend a special invitation for you to serve as an Honorary Sponsor of this event.

The 1994 Annual Dinner, **The Choice Affair**, will be Co-Chaired by two outstanding community members, James and Astrid Flood. The Floods, well known in the community for their philanthropic efforts, have been supporters of Planned Parenthood for many years. The honoree and keynote speaker have not yet been confirmed.

Planned Parenthood Alameda/San Francisco has been serving our community for over sixty years with essential reproductive health services and education. Your support helps us to continue serving the more than 50,000 women, men and teens who depend on us each year.

We've attached a form for you to return indicating your interest in serving as an Honorary Sponsor. We would like to hear from you by **March 14th** so that we may include your name on our program. We hope that you will join us in celebrating our successes, our many important services, and our spirit in meeting the challenges that face us.

Sincerely,

Cindy Rambo

Cindy Rambo
Executive Director

815 Eddy Street San Francisco, CA 94109 415/441-7858 Fax 415/776-1449

93 DEC 16 P1:11

3/10/94

Jarilyn Dupont
5415 Connecticut Ave. N.W. #L-21
Washington, D.C. 20015

94 FEB 16 A10:23

Michael Gall -
can you get this signed / personal & returned to me
John Podesta

John Podesta
Secretary to the President
The White House
1600 Pennsylvania Ave, N.W.
Washington, D.C.

December 15, 1993

Dear John:

As I indicated last night at the Judiciary party, please find enclosed two photographs. The individual is Eric Flexner. He was an intern with Mike Synar's office this summer. The first day of his internship, he was running on the mall and "ran into" the President who kindly asked him to join him in his jog. Needless to say, Eric was quite thrilled. He went to great lengths to find the photographer who had taken a picture and purchased it. He would love to have it signed by the President to him. The picture was taken on July 1, 1993.

The second photograph was taken at an event with Vice-President Al Gore and he would like to have that signed also. The summer was a rather eventful one for him.

I appreciate your help and I know that I now owe you one big favor. Thanks for your help. Please call me when they are ready and I will arrange to pick them up. My office number is 225-3926. It was nice seeing you last night.

Thanks,

Jarilyn Dupont

Jarilyn Dupont

Congress of the United States
Washington, DC 20515

3/10/94
LeeAnn Inadomi
Griffin

March 10, 1994

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President,

We join in this letter to call your attention to the alarming deterioration of a vital American industry -- the domestic oil and natural gas producing industry. The collapse of oil prices that began last October has driven U.S. prices below the cost of much of our domestic production. This situation has sent shock waves through the communities we represent as businesses are forced to close and thousands of Americans become unemployed.

The statistics speak clearly to the crisis which the domestic industry and the nation face. 10,500 Americans have lost their jobs since October because of the extraordinarily low prices. This job loss is in addition to the nearly 500,000 jobs that have been lost in the last decade.

Precious natural resources as well as jobs are at stake. Low prices also result in lost natural resources. Most of the nation's 450,000 marginal oil wells are unprofitable to produce at current prices. If these prices persist for much longer, many of these wells will be plugged and abandoned, which means that their reserves will be lost permanently. It is estimated that nearly 50,000 wells will be abandoned in 1994 if oil prices remain at $14 a barrel. We are particularly concerned about this possibility because marginal wells account for 14 percent of domestic oil production and are an integral part of the domestic oil business and our States' economies. Many people don't understand that once these wells are plugged, the oil and natural gas are lost forever. Our nation cannot afford to waste these resources.

Production is already declining precipitously. U.S. oil production averaged only 6.8 million barrels per day in 1993, our nation's lowest oil production level since 1958. It is almost certain that the 1994 production levels will be even lower. This is particularly disturbing in light of the fact that we currently import over 49 percent of U.S. consumption of oil. Further deterioration of the domestic industry will only increase this nation's dependence on foreign sources of energy. Imported oil currently accounts for an astonishing $ 44.7 billion of our trade deficit. That represents capital fleeing our nation that leaves our economy struggling to find the capital to invest and create jobs in the United States.

The job loss and resource loss described in this letter cause real economic dislocation and drain scarce federal, state, and local resources that could be spent for the education, infrastructure, and investments necessary for our nation to compete in a global market. Many sectors of our national economy have reaped economic windfalls resulting from extraordinarily low oil prices. We do not want to impede economic growth in any sector of the United States' economy. However, we feel strongly that it is in the best economic interest of the entire nation that our domestic energy industry survives and that we obtain the maximum value from our current investment in the resources extracted through marginal and stripper wells.

Mr. President, we urgently request a meeting with you at the earliest possible time to discuss policy options to address this situation. A prompt and effective response to this crisis is required. Although the domestic oil and natural gas producing industry is highly efficient and technologically advanced, unless U.S. energy and investment policies are made competitive, the U.S. will remain at great risk of the premature and permanent loss of vital production.

Sincerely,

Pete Domenici

Phil Gramm

Malcolm Wallop

Craig Thomas

Charlie Stenholm

Dan Glickman

Frank McCloskey

Michael G. Oxley

Thad Cochran

John Breaux

Frank H. Murkowski

Conrad Burns

[illegible]

Kay Bailey Hutchison

Jim McCrery

Roger Wicker

Jim Inhofe

Nancy Landon Kassebaum

Bill Thomas

Don Nickles

[illegible]

Byron L. Dorgan

Ted Stevens

[illegible]

Greg Laughlin

John Bryant

Pat Roberts

Henry Bonilla

Jack Fields

Lamar Smith

Joel Hefley

Bill Sarpalius

Frank Tejeda

Ben Nighthorse Campbell

Wm. J. Jefferson

Mike Synar

Wendell Ford

Charlie Wilson

Martin Frost

Dana Rohrabacher

Thomas W. Ewing

Jim Slattery

Henry B. Gonzalez

Eddie Bernice Johnson

Dave Camp

Richard Shelby

Mitch McConnell

Rick Santorum

Bob Wise

Alan Mollohan

Jimmy Hayes

Jack Brooks

Ernest J. Istook

Spencer T. Bachus

Sonny Callahan

J. Bennett Johnston

Ed Pastor

Pat Schroeder

[illegible]

Bob Livingston

Glen Poshard

Greg Laughlin

[illegible]

Tom DeLay

Chet Edwards

Jerry F. Costello

Sonny Montgomery

Mike Parker

Bob Dole

Wayne Allard

Solomon P. Ortiz

Bill Richardson

Trent Lott

George E. Sangmeister

Jim Chapman

[illegible]

Blanche M. Lambert

Bob Wise

[illegible]

Dale Bumpers

Bill [illegible]

J.J. Pickle

Paul [illegible]

[illegible]

Scotty Baesler

David Skaggs

[illegible]

[illegible]

Amo Houghton

Carl [illegible]

Nick Rahall

Dan Glickman

Pete Geren

Joe Barton

[illegible]

Jimmy Hayes

G.V. Montgomery

Wally Herger

[illegible]

[illegible]

Tom Bevill

Billy Tauzin

Michael G. Oxley

Robert F. Bennett

Orrin Hatch

Don Young

Pat Williams

Letter to President Clinton
on the domestic oil and gas industry
March 10, 1994

Senators:

Max Baucus (D-MT)
Robert Bennett (R-UT)
Jeff Bingaman (D-NM)
David L. Boren (D-OK)
John B. Breaux (D-LA)
Hank Brown (R-CO)
Dale Bumpers (D-AR)
Conrad Burns (R-MT)
Ben Nighthorse Campbell (D-CO)
Thad Cochran (R-MS)
Kent Conrad (D-ND)
Larry Craig (R-ID)
Bob Dole (R-KS)
Pete V. Domenici (R-NM)
Byron L. Dorgan (D-ND)
Wendell Ford (D-KY)
Phil Gramm (R-TX)
Orrin Hatch (R-UT)
Kay Bailey Hutchison (R-TX)
Nancy Landon Kassebaum (R-KS)
J. Bennett Johnston (D-LA)
Trent Lott (R-MS)
Mitch McConnell (R-KY)
Frank H. Murkowski (R-AK)
Don Nickles (R-OK)
David Pryor (D-AR)
Richard C. Shelby (D-AL)
Paul Simon (D-IL)
Alan K. Simpson (R-WY)
Ted Stevens (R-AK)
Malcolm Wallop (R-WY)

Representatives:

Wayne Allard (R-CO) [4th]
Bill Archer (R-TX) [7th]
Michael A. Andrews (D-TX) [25th]
Spencer Bachus (R-AL) [6th]
Scotty Baesler (D-KY) [6th]
Joe L. Barton (R-TX) [6th]
Tom Bevill (D-AL) [4th]
Henry Bonilla (R-TX) [23rd]
Bill Brewster (D-OK) [3rd]
John Bryant (D-TX) [5th]
Jack Brooks (D-TX) [9th]
Sonny Callahan (R-AL) [1st]
Dave Camp (R-MI) [4th]
Jim Chapman (D-TX) [1st]
Larry Combest (R-TX) [19th]
Gary A. Condit (D-CA) [18th]
Jerry F. Costello (D-IL) [12th]
Cal Dooley (D-CA) [20nd]
Chet Edwards (D-TX) [11th]
Thomas W. Ewing (R-IL) [15th]
Jack Fields (R-TX) [8th]
Martin Frost (D-TX) [24th]
Pete Geren (D-TX) [12th]
Dan Glickman (D-KS) [4th]
Henry B. Gonzalez (D-TX) [20th]
Ralph M. Hall (D-TX) [4th]
Jimmy Hayes (D-LA) [7th]
Wally Herger (R-CA) [2nd]
Joel Hefley (R-CO) [5th]
Peter Hoagland (D-NE) [2nd]
Amo Houghton (R-NY) [31st]
Earl Hutto (D-FL) [1st]
James M. Inhofe (R-OK) [1st]
Ernest Istook (R-OK) [5th]
William J. Jefferson (D-LA) [2nd]
Eddie Bernice Johnson (D-TX) [30th]
Scott L. Klug (R-WI) [2nd]
Blanche Lambert (D-AR) [1st]
Greg Laughlin (D-TX) [14th]
Robert L. Livingston (R-LA) [1st]
Jim McCrery (R-LA) [5th]
Dave McCurdy (D-OK) [4th]
Scott McInnis (R-CO) [3rd]
Alan B. Mollohan (D-WV) [1st]
G.V. "Sonny" Montgomery (D-MS) [3rd]
Solomon Ortiz (D-TX) [27th]
Michael G. Oxley (R-OH) [4th]
Mike Parker (D-MS) [4th]
Ed Pastor (D-AZ) [2nd]
Collin C. Peterson (D-MN) [7th]

J.J. Pickle (D-TX) [10th]
Earl Pomeroy (D-ND) [AL]
Glenn Poshard (D-IL) [19th]
Nick J. Rahall II (D-WV) [3rd]
Bill Richardson (D-NM) [3rd]
Pat Roberts (R-KS) [1st]
Dana Rohrabacher (R-CA) [45th]
J. Roy Rowland (D-GA) [8th]
George E. Sangmeister (D-IL)
Rick Santorum (R-PA) [18th]
Bill Sarpalius (D-TX) [13th]
Patricia Schroeder (D-CO) [1st]
David E. Skaggs (D-CO) [2nd]
Joe Skeen (R-NM) [2nd]
Jim Slattery (D-KS) [2nd]
Lamar Smith (R-TX) [21st]
Charles W. Stenholm (D-TX) [17th]
Mike Synar (D-OK) [2nd]
W.J. "Billy" Tauzin (D-LA) [3rd]
Frank Tejeda (D-TX) [28th]
Bill Thomas (R-CA) [21st]
Craig Thomas (R-WY) [AL]
Walter R. Tucker III (D-CA) [37th]
Pat Williams (D-MT) [AL]
Charles Wilson (D-TX) [2nd]
Bob Wise (D-WV) [2nd]
Don Young (R-AK) [AL]

MACK MCLARTY

March 4, 1994

Mr. PResident:

The attached responds to your inquiry regarding the Federal response to the Mississippi ice storm.

THE PRESIDENT HAS SEEN 3/9

94 MAR 8 A9:05

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
3.9.94

March 2, 1994

MEMORANDUM FOR MACK MCLARTY

FROM: CHRISTINE A. VARNEY CAV
STEPHEN B. SILVERMAN SBS

SUBJECT: Status of Federal Response to Mississippi Ice Storm

Due to the ongoing media attention on this situation, we thought you might be interested in an update. Some in the state wonder whether the Administration "cares" as we have not sent numerous Cabinet Members as was the case in California. It appears that FEMA has been a victim of its own success -- its standard of success is now quite high and thus, states expect more. Additionally, Mississippi's disaster, while significant, pales in comparison to the California earthquake. This disaster is more comparable to other recent storms in Alabama, Arkansas, Louisiana, Tennessee, and Kentucky. Kentucky, in fact, did not even receive a federal major disaster declaration.

As you know, the state of Mississippi was hit by an intense ice storm February 9, 1994. In the aftermath of the storm, approximately 500,000 customers of the power companies lost power. Electricity has been off for about three weeks. The local power companies are working to resolve this situation. FEMA provided 31 electric generators February 12 and 56 more between February 13-17. On February 18, the President declared a major disaster making the state eligible for public assistance.

James Lee Witt has been in constant communication with the state emergency director in Mississippi and with his FEMA regional director. Secretary Espy visited the state last weekend and believes that the federal response has been strong. James Lee is expected to visit the state next week. Secretary O'Leary may visit as well.

* In order to demonstrate the strength of the federal response, we are working with FEMA to develop a more pro-active media strategy for Mississippi. Moreover, when the President signs the Alabama disaster declaration as he is expected to do tomorrow, it may be appropriate to include language in press statements which shows sympathy for the storm victims throughout the south.

agree
J Lee Moore
go to region

Mississippi Delta still in dark

Victims feel overwhelmed and ignored

By Michael Tisserand
Special for USA TODAY

TUTWILER, Miss. — When the ice storm first knocked out the power here, the worst problem workers at a Roman Catholic-run clinic had was finding enough candles, blankets and food.

But power has been out for almost three weeks, and now workers are coping with people sick from contaminated water and food, burned by makeshift heaters and bewildered by their predicament.

"The hardest part for people was the constant darkness," says Sister Maureen Delaney. "There's no news from the outside world, and then when people did start hearing news ... they only heard about how terrible it was in Washington, D.C., and New York."

The problems are much the same across this part of the Mississippi Delta. Since a Feb. 9 storm dumped six inches of ice, many in northern Mississippi haven't had light, heat, telephones or electrical-pumped running water.

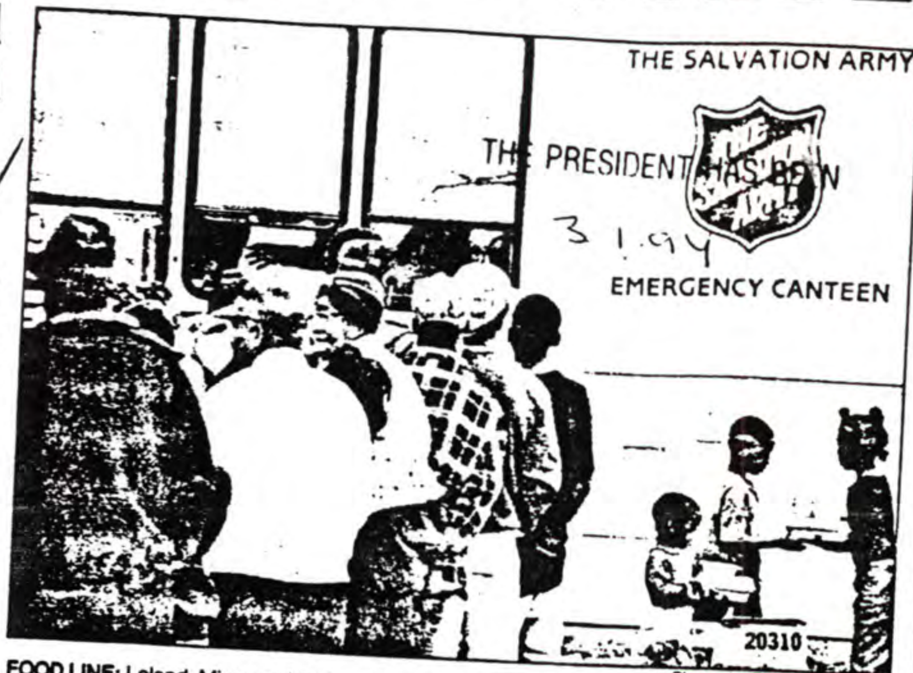
Restoration of power is taking so long, in part, because homes are far apart in many of the affected areas.

It wasn't until last weekend that President Clinton declared 26 Mississippi counties and 13 Arkansas counties federal disaster areas.

As power comes back, the disaster may not compare to the Los Angeles earthquake or the Midwest floods. But in America's poorest state, victims feel overwhelmed and largely ignored.

"Nobody gives a hoot if we live it or not," says Carla Bednar, a secretary in Rule, Miss. "Whatever we had to do it on our own. We were called a national disaster area, but we already knew that."

"We'll come out of it all right," says Dodie Danehowr, who had to move 92 residents of a local retirement home to relatives' or friends' homes.



Photos by Tannen Maury, AP

FOOD LINE: Leland, Miss., residents queue up for food at a Salvation Army truck. The Salvation Army has been bringing hot meals to people left without power for almost three weeks.

POWER WAIT: Shaw, Miss., farmer Bobby Irby, with mother Elenore, says, 'There's not much to do' without electricity.

ESPY: Agriculture secretary returned to his home state at the urging of his brother, Henry, mayor of Clarksdale, Miss.

USA TODAY

'Fairly sizable' storm forming

A winter storm that moved out of Texas Monday is threatening to become "fairly sizable," but it's too early to tell where it'll end up.

Forecasters say the mass could dump heaps of snow on the winter-weary Northeast by mid-week, or run along the Carolinas' coast and disappear in the Atlantic Ocean.

"Right now it's 50-50," said meteorologist Vinny Moise, of Weather Services Inc.

Today and Wednesday, the eastbound storm is expected to visit the Mississippi region, still rebounding from a Feb. 9 ice storm.

Heavy showers are predicted. Highs near the upper 50s could melt remaining ice, but experts warn the delta's problems could be compounded by oversaturation.

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"We'll get by," said Jones. "...ot to just live. That's all ...n do, just live."

...tributing: Patricia Ed...s

THE PRESIDENT HAS SEEN
3.1.94

Mack
This is bad — Why did
it take so long — Why
didn't we have
someone there —
not good

MACK - This is bad - Why did it take so long? Why dont we have someone there - isn't good.

...ew rem... ...Jews

...a Sanchez
...DAY

...anti-Semitic remarks ...by a aide to Nation of ...der Louis Farrakhan ...o intensify a rift be...e group and black ...who have called for ...ric to stop.

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African-American studies professor Russell Adams of Howard University said the Nation of Islam "is playing off the sense of rage and suffocation and alienation that the black community" feels.

By Mike Derer, AP

IN WINDSOR, N.J.: A bodyguard pushes away a cameraman as Shahid Watson, left, and Nation of Islam member Khallid Abdul Muhammad enter a mall to view 'Schindler's List.'

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New Jersey's political establishment turned out en masse Monday to denounce bigotry in anticipation of a speech Muhammad was to give at Trenton State College.

This was to be Muhammad's first public speech in New Jersey since a Nov. 29 speech in which he called Jews "bloodsuckers of the black nation."

Panel discussions, speeches and prayer vigils were attended by politicians, including Gov. Christie Whitman and Democratic Sen. Bill Bradley.

And the state Legislature convened a special session to allow members to speak out against hate speech.

"Since any group can be the target of hate, all groups need to learn from one another," Whitman told a panel discussion for survivors of Nazi concentration camps.

At least 100 protesters waited in subfreezing temperatures outside Trenton State College. Two members of a Jewish War Veterans group were arrested.

Contributing: Desda Moss

Mississippi Delta still in dark

Victims feel overwhelmed and ignored

By Michael Tisserand
Special for USA TODAY

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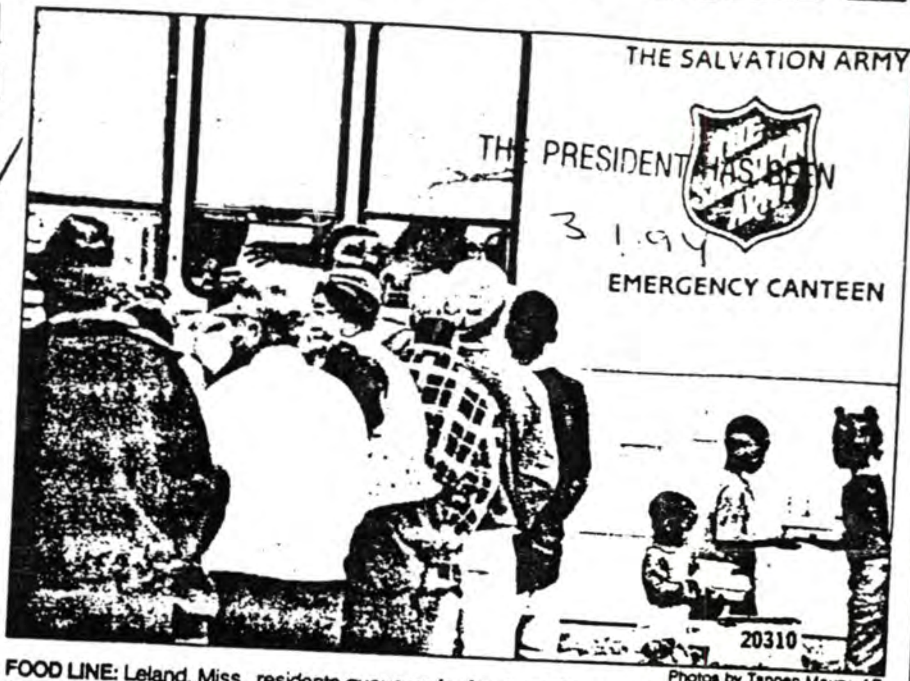

Photos by Tannen Maury, AP

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USA TODAY

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AP

ESPY: Agriculture secretary returned to his home state at the urging of his brother, Henry, mayor of Clarksdale, Miss.

"But this just shows us again that we're on our own."

After the two-day storm, more than 200,000 customers lost power. Thousands may remain without electricity into the middle of March. Water systems failed, people huddled in cold homes.

"It's been real hard, especially at night," said Joyce Talbert, who — with her six children — faced temperatures below 30 last weekend. "It gets terribly cold, and we just get all bundled up and try to stay warm together."

Says farmer Bobby Irby: "There's not much to do but sit and watch the walls, what we can see of them," until power returns.

Long after much of the ice has thawed, the storm's effects remain varied and vast:

▶ Children missed a dozen days of school in rural areas like Batesville, where bus routes were impassable. When most of the 4,600 students returned to class Monday, one in five still didn't have electricity at home.

▶ The area's pecan crop has been devastated. Groves are twisted and broken, and it could take five years for some to come back into production.

▶ Along the Natchez Trace Parkway — the 450-mile scenic highway stretching from Natchez to Nashville, Tenn. — it could take years and more than $1 million to repair damage.

▶ Salvation Army trucks have been out in hard-hit communities like Leland, supplying hot meals.

Over the weekend, Agriculture Secretary Mike Espy returned to his home state to pledge Clinton administration support.

George Jones, a 77-year-old retired Clarksdale farmworker, said he hopes "some of those good people are going to come out of Washington directly to check on us. They go around to everywhere else, don't they?"

Jones supports a household of 11, including children and grandchildren, on less than $1,000 a month. His wife filled up two freezers with fruits, vegetables and meat to feed their household during the winter but, without electricity, it was all lost.

"We'll get by," said Jones. "We got to just live. That's all we can do, just live."

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New remark widens rift between blacks, Jews

...ndra Sanchez
...TODAY

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Contributing: Desda Moss

38

3/9

to Phil
Lader
2nd time

Phil — option 1 safest with Republicans option 2 maybe preferable with Dems. John

February 24, 1994

MEMORANDUM FOR PHILIP LADER

FROM: JOHN D. PODESTA

SUBJECT: **Commodity Futures Trading Commission** (CFTC)

The Commission is made up of five commissioners serving staggered 5-year terms and is bipartisan (no more than three members may be members of the same political party). Commissioners may holdover until "the expiration of the next session of Congress subsequent to the expiration of said fixed term."

The current membership of the CFTC is as follows:

			Terms expire:	PROJECTED TERMS EXPIRE:
Sheila C. Bair	R	Kansas	4/13/94	4/13/99
WENDY GRAMM VACANCY			4/13/95	4/13/00
Joseph B. Dial	R	Texas	4/13/96	
Barbara Pedersen Holum	D	Md.	4/13/97	
John E. Tull, Jr.	D	Ark.	4/13/98	

Option 1

Nominate Mary Schapiro for the remainder of the term expiring 4/13/95, vice Wendy Gramm, and nominate her at the same time for reappointment for the full five-year term expiring 4/13/00.

Option 2

Nominate Schapiro vice Sheila C. Bair for the term expiring 4/13/99. Nominate Bair for the Wendy Gramm vacancy, for the remainder of the term expiring 4/13/95. Schapiro could be appointed, after confirmation, as early as 4/14/94 to the long term. Bair could fill out the short term.

Option 3

Nominate Schapiro for the Wendy Gramm vacancy, for the remainder of the term expiring 4/13/95, **AND** vice the Bair slot for the term expiring 4/13/99. At the same time nominate Bair vice the Schapiro (previously Gramm) slot, for the remainder of the term expiring 4/13/95. Once confirmed, Schapiro would immediately be appointed into the Gramm slot. And on 4/14/94, Schapiro would be appointed into the Bair Slot (term expiring 4/13/99). Bair would be appointed vice Schapiro, for the remainder of the term expiring 4/13/95. The only advantage of 3 over 2 is that if we could get a quick confirmation, Shaprio could begin as Chair before 4/14/94.

RECOMMENDATION:

If we need to give Shapiro a long term, I recommend option 1, nominating Schapiro for the remainder of the term expiring 4/13/95, vice Wendy Gramm, and nominating her at the same time for reappointment for the full five-year term expiring 4/13/00. Option 2 and especially option 3 are complex and could prove troublesome. However, option 1 is not without pitfalls.

Specifically, there is limited precedent for nominating someone so far in advance of their term's expiration (in this case, over a year) -- the traditional standard is six months in advance.

However, on 7/29/93, the President nominated a sitting United States Attorney, John W. Raley, Jr., whose term did not expire until 7/16/94, for reappointment to a new four-year term -- almost a year in advance. He was subsequently confirmed by the Senate and appointed by the President. On 4/10/68, President Johnson nominated for reappointment John H. Crooker, Jr., who was serving as a member of the Civil Aeronautics Board in a term that was not to expire until 12/31/68 -- almost nine months in advance.

It is conceivable that the Senate could confirm Schapiro for the short term and hold her nomination to the full five-year term expiring 4/13/00, perhaps requiring her to appear at a further hearing.

Any of these options would need to be pre-cleared with Senators Mitchell and Leahy.

THE PRESIDENT HAS SEEN 3/7

THE WHITE HOUSE

WASHINGTON

94 MAR 4 P2:57

March 4, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BOB RUBIN SMM for BR

SUBJECT: **Follow-up on Articles and Other Items**

1. U.S. Moves to Halt S & L Sales Amid Concern on Insiders' Profits, Keith Bradsher, NYT, 2/1/94. You asked if there is anything else for us to do on this issue and the answer is no. The FDIC is taking appropriate actions to address the abuse problem of windfall benefits to insiders when thrifts convert from mutual to stock form. The Office of Thrift Supervision (a Treasury agency), which regulates savings and loans and federally chartered savings banks, has long had fairly strict rules to minimize this type of abuse, while the FDIC, which regulates state savings banks, long asserted that it must defer to state regulators, whose rules are often much more lenient. This led to a spate of conversions from federal to state charters prior to conversion from mutual to stock form. The FDIC, however, has now stated that it believes it has legal authority similar to that of OTS, and is working with OTS on consistent rules for conversions.

Good

2. DLC Says Cut and Invest, Robert Shapiro, WSJ, 2/22/94. Together with the Treasury Department and the OMB, we are examining each of the suggestions. At an initial glance, however, many look like they are politically very difficult (e.g. raise grazing fees) and some even contradictory to existing policy (e.g. phase out funding for Sematech). In addition, Alice Rivlin is calling together a group on Monday to discuss with Rob his entire paper of which this was a subset. CEA, Treasury, and the NEC will participate in this effort to investigate new and different ideas.

House Member Gephardt Obey

3. Outreach for the G-7 Jobs Conference. As mentioned in a memo to you on the G-7 Jobs Conference, the Administration is doing substantial outreach. We held two bipartisan briefings on the Hill including one with 25 Senators, who were fully engaged for over an hour. We have also hosted several dinners with high profile people involved in business, the inner cities and the academic world, and we will be meeting with Lane Kirkland and Tom Donahue next week.

Good

4. National Competitiveness Act: On Monday, the Senate is scheduled to begin debating S. 4, the National Competitiveness Act. This bill would authorize expansion of the Commerce Department's technology initiatives such as manufacturing extension and the Advanced Technology Program, as well as research on applications for the "Information Superhighway" in health care, education, digital libraries, and manufacturing.

Senate Republicans will oppose it on the grounds that it is "industrial policy." The Administration and the business community are taking a number of steps to ensure that it passes: Secretary Brown, George Fisher, and other business leaders will hold a press conference on Monday to push passage of S. 4. and many companies are contacting Republican Senators to urge support for S. 4.

BR|GS|SM

2/22/94

THE PRESIDENT HAS SEEN

U.S. Moves to Halt S.& L. Sales Amid Concern on Insiders' Profits

A1

By KEITH BRADSHER

Special to The New York Times

WASHINGTON, Jan. 31 — The Treasury Department imposed a moratorium today on commercial bank purchases of most mutual savings and loans, citing concerns that insiders may be enriching themselves at the expense of depositors.

But regulators have closed the barn door very late: all but one of the nation's big mutual savings and loans have already been sold or have converted to shareholder ownership.

Coupled with recent moves by the Federal Deposit Insurance Corporation to review executive compensation at mutuals that sell stock in themselves to investors, the moratorium is likely to halt the disappearance of mutuals, a trend that has been reshaping the nation's savings and loan industry, banking experts said today.

"It looks like the party is over — this is the beginning of the end," said Scott M. Winslow, the research director at SNL Securities, a financial research firm in Charlottesville, Va.

Not Many Are Left

Low interest rates have made hundreds of mutuals quite profitable, so many banks and investors want to buy them. A wave of deals cut the number of mutuals last year by almost 10 percent, from 1,343 at the beginning of 1993 and 2,000 a dozen years ago. Most of the 1,231 remaining mutuals are tiny institutions in small towns.

Green Point Savings Bank, a $6 billion institution based in Flushing, Queens, issued stock on Friday, leaving only one large mutual, Pomona First Federal Savings and Loan Association in California, which has $1.65 billion in assets.

The rest of the big mutuals have already converted into shareholder institutions, said Brian P. Smith, the policy director at Savings and Community Bankers of America, the industry's Washington-based trade group.

According to a study by SNL Securities, in each of 16 small deals in December and early January, an average of $5.3 million in free stock or stock discounts was awarded to the directors and corporate officers as a group. That works out to 13 percent of the value of the stock sold and does not count the executive salary increases and the generous retirement plans that usually accompany these transactions. Depositors, who technically own the institutions but typically buy few of the shares when the institutions sell stock, got very little.

The Treasury and the F.D.I.C. are both paying particular attention to whether mutual executives have issued stock at unusually low prices and bought large blocks of shares at those prices. Last year, shares in mutuals soared by an average of 28 percent on the day they were issued.

In imposing a moratorium on commercial bank purchases of mutuals, the Treasury Department's Office of Thrift Supervision said that it would continue to accept applications from mutuals that want to convert to stock ownership. But the office said for the first time that its limits on executive compensation for these transactions would be reviewed. Leaders of the Senate Banking Committee introduced legislation last week to force the office to tighten these limits, which do not currently cover stock options.

At a Standstill

David S. Schaefer, the head of the banking practice at Loeb & Loeb, a New York law firm, said that close regulatory scrutiny would bring to a halt all sales of mutuals to investors or banks. "Applications which have been filed have come to a standstill," he said. "It also prevents other institutions, which have wanted to take advantage of the market, from acting."

The moratorium will last while the office reviews its regulations on the transactions. Treasury officials declined to estimate how long that would take; the F.D.I.C. has been reviewing the issue for nearly a year without reaching a decision.

Two Congressional hearings in the last 10 days and proposals for tough new Federal legislation have left regulators red-faced and wishing that they had acted sooner. This is particularly true at the F.D.I.C., which oversees state-chartered savings banks, unlike the Office of Thrift Supervision, which oversees federally chartered savings banks and state and federally chartered savings and loans.

Managers at state-regulated savings banks awarded themselves some of the largest multimillion-dollar compensation packages in exchange for approving the sale of their institutions to banks or investors.

Some Regrets Expressed

"It's not our shining hour in terms of raising the issue; in hindsight, I wish we'd done more earlier," said a senior F.D.I.C. staff official who insisted on anonymity.

Andrew C. Hove Jr., the acting chairman of the F.D.I.C., declined to comment.

Jonathan L. Fiechter, the acting director of the Office of Thrift Supervision and a member of the F.D.I.C.'s board, said last week that he had sent memos to the F.D.I.C. over the last year urging it to be more aggressive. "I probably should have been more aggressive on the board," he said.

Mr. Hove told a House Banking Committee panel last week that his agency would start closely reviewing sales of state-chartered mutuals and would propose new regulations that would make it easier for depositors to benefit from the sale of mutuals. Until recently, the F.D.I.C. relied heavily on state regulators to determine whether compensation packages were excessive.

A New York Case

Green Point Savings issued stock last week after a long legal struggle in which the New York State Banking Commission forced its executives to give up the stock and stock options that they had planned to award to themselves. Estimates of the total Green Point compensation packages started at $40 million, and ranged up to $85 million or more if the bank's stock had doubled after it was issued.

Savings banks differ from savings and loans only in that savings banks are allowed to hold a slightly lower percentage of their assets in real estate loans.

The Office of Thrift Supervision put some limits on executive compensation in these transactions but had not limited stock options. Dozens of savings and loans have converted into state-chartered savings bank before issuing stock, thereby avoiding the thrift office's limits. Mr. Fiechter of the thrift office called for the F.D.I.C. to impose its own moratorium on commercial bank acquisitions of mutuals that it oversees.

The ownership of mutuals is fiercely disputed. The thrift office said today that depositors "are considered the owners of a mutual thrift." Mr. Hove of the F.D.I.C. made a similar comment at a Congressional hearing last week, as did the top regulators from Ohio and Wisconsin.

But many savings and loan executives and some state regulators, including regulators in New York and North Carolina, contend that the ownership of mutuals is murky. The Federal courts have ruled that while a mutual's depositors may divide up its net worth if the institution is liquidated, they may not take their stakes out of an active institution.

Mr. Schaefer at Loeb & Loeb, who has represented mutual executives in past conversions to shareholder ownership, said he did not think depositors had any ownership rights. Since the 1930's, Federal deposit insurance has protected depositors against financial loss if a mutual fails, he pointed out. So depositors do not meet a legal test of ownership that requires owners to prove possession of something that can be lost, he said.

THE NEW YORK TIMES, TUESDAY, FEBRUARY 1, 1994

Anything else for us to do?

Sylvia — my guess is not, but ask Ellen Seidman

BR/[illegible]

Sylvia: pls ask Gene.

Better and clearer, good ideas into B.R.?

THE PRESIDENT HAS SEEN
3/22/93

DLC Says Cut and Invest

By ROBERT J. SHAPIRO

The impending federal budget debate will test Washington's true grasp of the world economy. The challenge for President Clinton and Congress is to figure out how to use fiscal policy to promote national growth in a global economy.

It won't be easy, because Washington debates over the budget are usually disengaged from the economics of growth. Both political parties have been consumed with questions of who will pay more taxes and who less, and who should gain new benefits and who should receive less. These opposing versions of a primitive tax-and-spend paradigm inform most economic thinking in political circles: Liberals simply focus on increasing spending and, when necessary, taxes too. Conservatives concentrate only on cutting tax rates and, when possible, spending as well.

The Strategy

For the new budget to be a genuine instrument of growth policy, it should be reorganized around a new strategy based on the real terms of competition in the global economy. This strategy, which I call "cut and invest," proposes that government use the budget both to promote higher levels of public and private investment and to actively encourage vigorous market competition to drive private-sector innovation and productivity.

The strategy relies first on cutting federal spending and tax subsidies that insulate certain industries from competition. But it also requires us to define what truly are public investments—and then to direct public resources toward them. In effect, cut and invest is a way for the proponents of investment and the proponents of deficit reduction to put their money where their mouth is—and improve America's competitiveness.

To begin, global markets, as distinct from a national economy, require that companies match or surpass their foreign competitors in the quality and use of basic resources—principally, the skills of workers, technologies of production, and infrastructure systems. The budget can and should do more than simply promote capital formation by restraining spending—which, in any event, was substantially achieved in last year's budget battle. (Under current law, federal expenditures are projected to rise by 20% over five years, while over the same period the private economy is expected to expand by 28%.)

The new budget also should recognize, as Adam Smith did, that in certain areas of education and training, basic research, and economic infrastructure, markets normally generate less investment than the economy could profitably use. Genuine public investment is different from other spending. It is called for only in those specific areas where markets invariably fail to generate appropriate levels of private investment, and its only purpose is to expand the private economy's capacity to create wealth.

A pro-growth budget also must actively strengthen domestic competition, because only competitive pressures will drive firms and workers to make the most of private and public investment. The task facing businesses in the global economy involves organizing productive factors from around the world—research and development, materials, labor, product and process design, financing, marketing, packaging and distribution—to produce the goods and services demanded by market segments around the world. Global competition, in short, requires that firms learn to innovate efficiently in every aspect of production.

To this end, the new budget should phase out many tens of billions of dollars of specific spending and tax subsidies that insulate particular American industries from healthy market pressures. (Trade protections and certain kinds of economic regulation have a similar effect on an industry's incentives to innovate and become more efficient.)

Sixty-Eight Ways to Cut the Budget

	(in billions)
Cuts in Spending Subsidies: $114.2 billion in savings over 5 years	
Energy and Natural Resource Industry Subsidies	
Reduce Rural Electrification Administration (REA) subsidies	$0.7
Reduce Tennessee Valley Authority subsidies	0.6
End Clean Coal Technology Program	0.3
Cut energy supply R&D grants	6.9
Reduce fusion research grants	1.0
Recover costs for uranium enrichment services	1.6
Suspend new purchases for Strategic Petroleum Reserve	1.1
Suspend new purchases for the Naval Petroleum Reserve	1.3
End federal subsidy for the Advanced Light-Water Reactor	0.3
Raise rates on sales of hydroelectric power to private utilities	2.0
Index nuclear waste disposal fees for inflation	0.3
Increase royalties/extend holding fees for mining on public lands	1.2
Raise prices on timber sales from national forests	0.2
Agribusiness Subsidies	
Lower agricultural target prices by 3% a year	$11.2
Eliminate agricultural subsidies to wealthy farmers	1.0
End export-enhancement agricultural subsidies	3.2
Raise grazing fees on public lands	0.2
Reform the dairy-support program	1.1
Reform federal irrigation programs	4.3
Require meat/poultry processors to pay for USDA inspections	0.5
Transportation Industry Subsidies	
End the Airport Grants-in-Aid program	$6.7
Charge user fees for air-traffic-control services	5.8
Rescind funding for highway demonstration projects	7.9
Charge higher fees to inland-waterway users	2.2
Enforce fee collection for harbor maintenance	0.2
Phase out mass-transit operating subsidies	4.0
Phase out Maritime Administration operating subsidies	1.3
Reduce Amtrak operating subsidies	1.3
Reduce funding for Essential Air Service program	0.7
Aerospace and High-Tech Industry Subsidies	
Cut funding for the National Aerospace Plane	$0.7
Phase out funding for Sematech	0.1
Cut funding for NASA's Advanced Solid Rocket Motor	1.7
Cancel the NASA space station	10.4
Miscellaneous Industry Subsidies	
Reform federal procurement practices	$16.8
Reduce overhead payments for university research	1.0
Reform the Davis-Bacon act	0.2
End the Market Promotion Program	0.9
Require private contributions for Superfund cleanups	1.1
Phase out grants for constructing wastewater-treatment plants	6.3
Charge for FDIC exams of state-chartered banks	1.4
Reform funding for public housing programs	0.9
Impose user fees for the Commodities Futures Trading Commission	0.3
Raise fees for FCC services	0.4
Increase SEC charges	0.2
Charge firms for using tourism and export promotion services	0.8
Reform various Export-Import Bank programs	0.9
Cuts in Tax Subsidies: $111.1 billion in savings over 5 years	
Natural Resource Industry Tax Subsidies	
Phase out special tax credit for production of nonconventional fuels	$5.7
Phase out expensing of extractive firms' drilling, exploration, and development costs	5.9
Repeal the percentage depletion cost-recovery for oil, gas and nonfuel mineral firms	4.1
Phase out special tax credit for timber companies' reforestation costs	0.2
Reduce the timber industry's exception from uniform capitalization rules	1.2
Construction Industry Tax Subsidies	
End the use of tax-free municipal bonds for private purposes	$5.3
Lower the ceiling on the mortgage-interest deduction	12.5
Cap the exclusion of capital gains on home sales	2.3
Phase out the deductibility of interest paid on home equity loans	12.8
Reduce tax credits for rehabilitating older or historic buildings	0.4
Depreciate rental housing on same basis as others	6.1
Agribusiness Tax Subsidies	
Phase out farmers' ability to exclude from income support payments used for conservation	$0.1
Reduce ability of farmers to exclude "cancellations of indebtedness" income	0.5
Phase out farm firms' special right to defer tax on income from crops to be delivered the following year	1.2
End special tax exclusion for costs of raising dairy and breeding cattle	0.6
Financial Industry Tax Subsidies	
End the special exemption for credit union income	$1.7
Tax all property/casualty insurers on the same basis	0.2
End the ability of small life insurers to be taxed on investment income rather than adjusted gross income	0.6
End the special deduction for some health insurers	0.8
Miscellaneous Industry Tax Subsidies	
Repeal special tax credit for firms operating on U.S. Possessions	$21.5
End firms' right to fully expense advertising costs	17.5
End the special tax treatment of Foreign Sales Corporations	7.9
Total Savings over 5 years (Spending and Tax): $225.3 billion	

1/2

These domestic subsidies cost the U.S. jobs, business formation, and overall growth. Not only do they reduce normal competitive pressures to innovate for foreign competition, but they also place industries not receiving favored treatment at a disadvantage, by effectively raising their costs of capital and labor relative to subsidized sectors. The result: Industries receiving subsidies become less competitive, and those denied them have incentives to take advantage of globalization and move some of their operations abroad, where labor costs are lower or special subsidies are available.

Growth policy does not dictate, as orthodox conservatives often suggest, that the new budget should end every instance of special-sector spending and tax treatment. In some cases there are legitimate social purposes, such as health-care spending for the poor or incentives for middle-class home ownership. In addition, some subsidies offset genuine market failures, such as spending to protect bank depositors and tax incentives for R&D. Global markets require that the president and Congress cut those programs and tax provisions that artificially raise the rate of return for particular industries for no overriding social or economic purpose.

But as both Ronald Reagan and Bill Clinton quickly discovered, special interests usually can block serious congressional action to phase out their subsidies. A new way has to be found to unravel this web of political influence.

Base-Closing Model

Congress and the president should create a Commission on National Competitiveness and Industry Subsidies, modeled on the Base Closing Commission. This independent body would identify and evaluate spending programs and tax provisions that provide anticompetitive transfers to particular industries and recommend to the president an annual package of reforms. The president would submit the package to Congress, which would have to vote on the package without amendment.

B.C. idea

This commission could start with the 68 specific spending and tax subsidies listed in the accompanying table, totaling $225 billion over five years. These savings plainly could finance substantial new public investment and an added measure of deficit reduction—as well as pressing social reforms in welfare and law enforcement. In every way, a cut-and-invest strategy would leave the U.S. more productive and competitive in the world economy.

Mr. Shapiro is vice president of the Progressive Policy Institute, a think tank affiliated with the Democratic Leadership Council, and was a principal economic adviser to President Clinton in the 1992 campaign. This article is adapted from a report being issued this week by PPI.

2/2

THE PRESIDENT HAS SEEN 3/7

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

94 MAR 4 P3:52

March 4, 1994

My only concern NIH Natl Service

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: House Budget Committee Mark-up of FY 95 Budget Resolution

Yesterday the House Budget Committee approved, by a party line vote, a Fiscal Year 1995 budget resolution reflecting the Administration's budget submission with only minor changes. Our highest priority investments were completely protected in the resolution.

Adjustments to some lower priority investment programs were made both to compensate for a CBO reestimate of the Administration's discretionary spending totals and to fund increases in programs which were cut in the Administration's budget.

As you know, the budget resolution is not determinative of spending levels, but rather is used as guidance by the Appropriations Committees in prioritizing spending. As was the case last year, our primary efforts to fight for our investments will occur primarily in the Appropriations process.

The following are programs increased and reduced in the resolution approved by the Budget Committee.

Increases to the Administration's Budget

o Low Income Energy Assistance: The Committee added $520 million to the Administration request and supported our proposal to target the funds on needy areas.

o Mass Transit Operating Grants: The Committee added $200 million to Operating Grants while cutting our requested levels in Mass Transit Capital Grants (see below).

o The Committee added small amounts to the Administration request for VA Medical Research, Indian Health, Rural Electrification Agency and the Temporary Emergency Food Assistance Program (TEFAP).

Reductions from the Administration's Budget

o National Science Foundation: The Committee reduced the National Science Foundation by $50 million. However, this spending level would maintain a $119 million increase over FY 1994 for the NSF.

o NIST: The Committee reduced civilian technology and research programs in the National Institute of Standards and Technology by $128 million. This will still allow an increase over FY 1994 of 53%.

o EPA: The Committee reduced EPA operating funds by $130 million. However other EPA increases totalling $1.4 billion were left untouched by the Committee.

o Mass Transit Capital: In a trade-off with Mass Transit Operating Grants, the Committee reduced Mass Transit Capital by $400 million.

o NIH: The Committee reduced the increase in NIH by $239 million based on the significant increases received by the Institutes over the past ten years. This spending level would still leave a substantial increase of $278 million over FY 1994 for NIH

o National Service: The Committee reduced National Service funding by $100 million below the Administration request. After discussing this decision with Eli Segal I asked Chairman Sabo to reconsider this level of funding in the House-Senate conference on the budget resolution. This funding level would still allow a $175 million (30% increase) over FY 1994.

o One-stop shopping: The Committee recommended a reduction of $50 million from the Administration's budget, but this would still leave an increase of 150% over FY 1994 levels.

o Drug-free schools: The Committee supported a reduction of $100 million below the Administration's request. This would leave an increase of $88 million over FY 1994 - a 20% increase.

o Law Enforcement: A $50 million ~~reduction for the~~ FBI and a $165 million reduction for prison construction and maintenance were recommended. However, our Crime Initiative totalling $2.7 billion is fully funded.

o Legal Services: The Committee recommended a reduction of $61 million in the Legal Services Corporation. This will still leave a substantial increase for the Corporation: $39 million over FY 94, a 10% increase.

THE PRESIDENT HAS SEEN 3/4

Copy Rubin
Rasco

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MAR 1 1994

94 MAR 4 A10 : 30

MEMORANDUM FOR THE PRESIDENT

Works good

FROM: Robert B. Reich BSR

THROUGH: Robert Rubin

SUBJECT: The Reemployment Act of 1994

We are in the final stages of preparing the Administration's Reemployment Act proposal. This memo brings you up to date on the state of the proposal, plans for introduction, and some remaining issues you should be aware of.

The Proposal

The Re-Employment Act will have these key features:

1. Consolidation and coordination. The Act consolidates all six existing "categorical" adjustment programs (for dislocations due to trade, defense conversion, etc.) into a new, comprehensive program for all displaced workers. It also lets States opt into a broader plan for coordinating the delivery of JTPA Title II, veterans' training, Senior Community Service Employment, and other workforce programs.

2. Reemployment services. Services for dislocated workers include: (a) early outreach, to deliver help quickly; (b) basic readjustment services, including information on jobs, job search assistance, and career counseling; (c) long-term training--with income support--to those who need and want it; and (d) a single point of contact for career counseling, information on jobs and training programs, UI claims processing, and other services.

3. Job information. The Act also establishes a national labor market information system to improve and knit together various job data systems. An integrated, computer-based network will deliver information on current job openings, trends in job opportunities, profiles of local employers, job qualification requirements, and--importantly--the performance of training program managers and service providers.

4. Serious retraining and support. Most dislocated workers need only counseling and information to get new jobs. For those who do need retraining, short-term programs are seldom enough. The Act provides access to longer-term retraining, and financial support to let workers complete serious programs. Workers can get training grants worth up to $4,750 per year, for up to two years. Once the system is fully implemented, most dislocated workers enrolled in long-term training will receive income support if they have at least 1 year of tenure with their previous employer. (During the FY 1995 - FY 1999 transition, income support for those with less than 3 years of job tenure will depend on discretionary, not mandatory funding. Beginning in Fiscal Year 2000, the FUTA 0.2 offset will be used to fund all income support on the mandatory side.) Income-contingent loans play a key role in making training possible for workers who need especially long-term training, or who aren't eligible for sufficient income support.

5. One-stop. The bill requires States to coordinate services for dislocated workers through career centers. It allows States to compete for funds to develop a more ambitious network of one-stop career centers to serve anyone who needs help getting a better job--not just dislocated workers--and to coordinate the delivery of a wide range of employment and training programs, including programs for welfare recipients. About six States can win one-stop implementation grants in the first year; all fifty States will have the opportunity to implement the one-stop system over the next five years.

6. More accountability. State-level "customer service compacts" and performance standards (for program operators, career centers, and service providers) will improve accountability for dislocated-worker programs in all States. As States opt to build universal one-stop systems, they commit to more rigorous reforms:

▪A State Human Resource Investment Council, optional under current law, will be required.

▪Local "Workforce Investment Boards"--appointed by local elected officials--will oversee the one-stop career centers, and serve as the "board of directors" for all local workforce programs. The Boards cannot operate programs themselves. Business representatives, limited to CEO's, plant managers, and business owners, must form the majority; labor, public officials, community and education leaders are also represented. (A JTPA Private Industry Council may become a Workforce Investment Board, but only if it meets the Act's more stringent criteria.)

▪One-stop career centers may be run by a consortium of organizations, centered on the Employment Service, the State UI agency, and agencies administering JTPA Title II and the Reemployment Act's dislocated worker program.

▪Alternatively, Governors and local officials can opt for a more competitive approach, consistent with the National Performance Review's recommendations. Under this option the Employment Service, but also other organizations (including dislocated worker center operators, JTPA programs, community colleges, and private for-profits and non-profits) are chartered to run one-stop career centers.

▪Under either option, one-stop career centers will be required to meet customer-oriented performance measures, and will be evaluated each year.

7. Implementation phase-in. Your FY 1995 budget includes $1.465 billion for dislocated workers--an increase of nearly one-third over the FY 1994 base of $1.118 billion. It also includes $250 million for the first round of grants to States ready to build one-stop career center systems to serve all workers. When fully implemented (in FY 2000) the system will serve 1.3 million dislocated workers yearly--the entire population we expect to need reemployment services--at an annual cost of $3.4 billion. The phase-in schedule is summarized on the attached chart.

Introduction Strategy

The goal is enactment of the Reemployment Act of 1994 before the end of this session of Congress. To raise the odds of rapid passage, we have conducted extensive advance discussions with major stakeholders. We are working simultaneously with four authorizing Committees, while crafting a stakeholder coalition. Both House Ways and Means and Senate Labor and Human Resources prefer a two-bill approach, separating out the income support component. The elements of the Act would move through committee in tandem, and could be rejoined on the floor.

Reaching a common position on the major provisions of the proposal will let us present the legislation as a consensus bill in early March. We are seeking your participation in an "introduction-day" event with Congressional sponsors, labor and business leaders and selected Governors and Mayors, to occur within the next two weeks.

We are aiming first for passage in the House. Education and Labor Committee Chairman Bill Ford has agreed to introduce the bill, supported by Subcommittee Chairman Pat Williams. Chairman Rostenkowski will work with us on the bill providing income support on the mandatory side of the budget. Senators Kennedy and Metzenbaum will take the lead in the Senate. We are working with Senators Bradley and Rockefeller to move the Act through the Finance Committee. (Senator Bradley will be a sponsor.)

Issues to note

You should be aware of certain issues, and the shape the debate is likely to take:

▪Consolidation: While the Act immediately consolidates six programs, and builds a framework for further consolidation, some critics will dismiss it as too timid a step towards streamlining. Labor groups, on the other hand, may press to keep Trade Adjustment Assistance out of the Reemployment Act.

▪Competition: The Act stops short of the National Performance Review's recommendations for competition among alternative suppliers of reemployment services--States may choose between a competitive or a "consortium" approach, and the Employment Service retains advantages under either option. Yet some labor groups still feel it goes too far in threatening the franchise of the Employment Service.

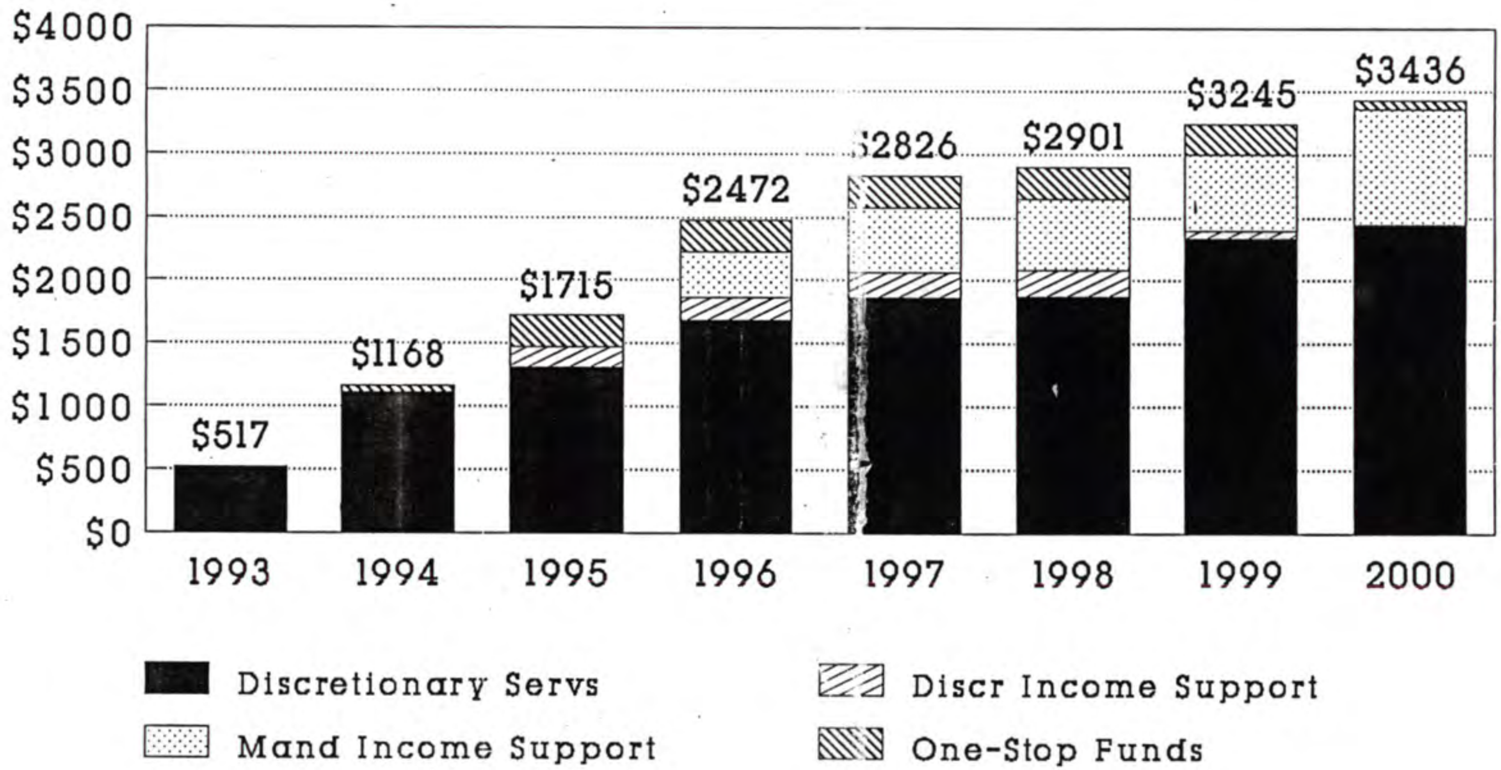
▪Displaced Homemakers: Advocates (including some key Hill staffers) have pressed to grant full eligibility under the Act to "displaced homemakers"--women who have lost their livelihoods to divorce or widowhood. But the number of such women far exceeds the number of economically dislocated workers, and full inclusion would swamp the program. We are seeking compromise, but the issue will likely resurface.

▪0.2 percent FUTA: Business and Republicans may resist devoting the 0.2 percent FUTA tax to pay for retraining income support following its scheduled 1999 expiration, even though the tax has been extended repeatedly since its original 1987 expiration date, and another extension is widely anticipated.

▪Plans for the disadvantaged: Some advocacy groups feel that the reemployment initiative has eclipsed targeted employment and training programs for the disadvantaged, and may condition their support for the Reemployment Act on an Administration commitment to focus more on programs for the disadvantaged. (In fact, you are seeking a 13 percent increase in such programs for FY 95. There is also a substantial overlap between the two groups: Disadvantaged workers are especially likely to be dislocated from their jobs.)

THE REEMPLOYMENT ACT OF 1994

Funding by Category*
Mandatory or Discretionary



FY93-94 includes only EDWAA
(Does not include TAA, DDP, DCA,
Clean Air or NAFTA Bridge)

THE PRESIDENT HAS SEEN

3.7.94

THE WHITE HOUSE

WASHINGTON

March 1, 1994

94 MAR 1 P12:32

MEMORANDUM FOR PRESIDENT CLINTON
HILLARY RODHAM CLINTON

FROM: IRA C. MAGAZINER ICM

SUBJECT: GERMANY'S HEALTH CARE

CC: VICE PRESIDENT
MRS. GORE
MACK McLARTY
HAROLD ICKES
PAT GRIFFIN
GEORGE STEPHANOPOULOS
ROGER ALTMAN

The Wall Street Journal article you sent me on Germany's health care system by Wilfried Prewo contains a number of gross inaccuracies on the German health care system. Op eds have been submitted to rebut it.

1. Dr. Prewo asserts that Germany spends 10.6 percent of GDP on health care. This is incorrect. The real numbers are as follows:

1985	1986	1987	1988	1989	1990	1991	1992	1993
8.7[1]	8.6[1]	8.7[1]	8.8[1]	8.3[1]	8.3[1]	8.5[1]	8.5[2]	8.2[2]

[1]Source: OECD

[2]Source: Unofficial estimates from the German Embassy

2. Dr. Prewo asserts that the costs of Germany's plan have risen by a sharp 23 percent after inflation, over the past three years. I am not sure what he means by Germany's plan, but German health expenditures have risen nowhere near that rate.

Growth was 4.9 percent per year from 1985 -1991 and as estimated by the German Embassy, flat or even negative for the past two years. During the period 1990-1991, German spending did rise at 9 percent (comparable to the U.S.), but the German Parliament reacted by passing rule changes which cut the growth rate dramatically.

Annual Growth in National Health Spending

As Percent of GDP

Percent Per Year

YEAR	GERMANY	U.S.
1985 - 1991	4.9[1]	9.0
1991 - 1992	0[2]	9.3[3]
1992 - 1993	-0.3[2]	9.6[3]

[1]Source: OECD

[2]Source: Unofficial estimates from German Embassy

[3]HCFA unofficial estimate

3. Prewo points out that certain private German sickness funds (alliances) are lower cost than others. He is correct about this, but incorrect about the reason. It is not because they are more efficient. It is because they have younger, healthier populations and in Germany, unlike in our plan, there is no community rating across funds.

4. Dr. Prewo is also wrong when he questions our financing and presumes that the premiums collected by alliances will have to pay for the whole health care system.

   He completely misunderstands the financing of U.S. health care. Private premiums make up only about 30 percent of total health spending today in the U.S. and will represent only about 35 percent under our proposal. The rest of America's health system is financed through Medicare (a separate payroll tax of about 3 percent), Medicaid financed from general revenues, out-of-pocket spending by individuals (not prevalent in Germany where there are no co-pays or deductibles in the government), and direct public funding of public health, state and city hospitals, community health centers, etc.

The attached letter and op ed by Uwe Reinhardt, express other problems with the Prewo article.

It is infuriating that inaccurate pieces like this or the New Republic hatchet job have so much influence on people's thinking.

Princeton University

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Uwe E. Reinhardt
James Madison Professor
of Political Economy

February 5 1994

Dr. Wilfried Prewa
Chief Executive
Chamber of Industry and Commerce
An der Trift 2
30559 HANNOVER
Germany

Dear Dr. Prewa:

Although it was surely not your intention to contribute to Hollywood's stereotype of the dumb and obese German, your recent op-ed piece in *The Wall Street Journal* inadvertently does just that. My letter to the editor of *The Wall Street Journal* explains why I reach that conclusion.

The debate on health policy in this country is a very serious matter that touches on deep divisions over ideology. It is helpful to have injected into such a debate well informed and well reasoned commentary from abroad. It is harmful, however, if that commentary reflects unfamiliarity with our health system and, in the present case, with Germany's as well. I urge you, Dr. Prewa, to seek the counsel of genuine German health experts--for example, Professor Dr. Graf von der Schulenburg and Professor Dr. Henke of the University of Hannover--before you submit pieces of this sort to the American media. Had you done so in this case, they could have saved you from some embarrassment that is now sure to follow.

One could make the case that the German health-insurance system is not compatible with American culture, and one could do so without errors of fact or violation of the strictures of logic. I am afraid, Dr. Prewa, that your piece in *The Wall Street Journal* falls short of the respectable on both counts, and I shall not hesitate to point this out to audiences both here and in your own country. Indeed, I should not wonder if some of your own compatriots were similarly inclined, because they may not like to see Germany's health system characterized in this way.

With my best regards,

Sincerely yours,

Uwe Reinhardt

cc Ministerialdirektor Gerhard Schulte
Bundesministerium fuer Gesundheit

Direktor Helmut Voigtlaender

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February 5, 1994

Letters to the Editor
The Wall Street Journal
200 Liberty Street
New York, NY 10281
Fax No. 212-416-2658

Uwe E. Reinhardt
James Madison Professor
of Political Economy

Dear Madam or Sir:

Mr. Wilfried Prewo's op-ed piece "Germany is not a Model" confronts astute American readers with three intriguing riddles.

First, can millions of Germans really be as stupid as Mr. Prewo implies? He asserts that premiums (payroll taxes) for statutory health insurance in Germany are 25 percent higher than are premiums for private insurance which, according to him, is both more efficient and offers better benefits. But Mr. Prewo also allows that over 10 million Germans (14% of the population) with incomes high enough to escape compulsory statutory insurance nevertheless opt *voluntarily* to remain within that statutory system. Why do these Germans not recognize the good deal Mr. Prewo evidently sees in private insurance?

For those who wish to solve the riddle, here's a hint. Private insurance in Germany is priced actuarially. Private premiums reflect the insured's age, health status as well as the number of his or her dependents. By contrast, premiums for statutory health insurance are based strictly on the insured's income, and not on health status, age or family size. For a single, high-income German Yuppie private insurance may well be the cheapest option. For a family it may not be, especially if the family is large and some family members are not perfectly healthy. For these reasons some 14% of the German population voluntarily opts for statutory coverage, while less than 10 percent opt for private coverage.

Further on in the piece, Mr. Prewo offers the second riddle: How can President Clinton propose to finance health spending at 14% to 17% of the GDP with 10% of payroll (actually, a maximum of 7.9%) when Germany requires an average contribution rate of 13.4% of payroll to finance health spending of only 10.6% of the GDP? The answer: the 7.9% of payroll under the Clinton plan pays for only a part of American health care. It would not cover any of the over 30 million elderly, who would remain in their separate Medicare system. It would not cover some 30 million low-income Medicaid recipients, whose care would continue to be financed largely out of general revenue. Finally, it would not reflect the high American deductibles, co-pays and exclusions (such a prescription drugs). By contrast, the contribution rate of 13.4% in Germany covers virtually *all* health care for insured members. The latter include the poor, the unemployed and the elderly, whose own pension funds contribute premiums that cover less than half of the true actuarial cost of treating the elderly. The other half is covered with the contributions paid by working Germans. Apparently, Mr. Prewo is unaware of these details, which leads him to compare apples with oranges.

Finally, Mr. Prewo alleges that Germans "graze themselves to obesity" on [free] medical services. Here is the third riddle in Mr. Prewo's piece: How is it that, with all that grazing to obesity, Germany spends only 10.6% of its GDP on health care, while the United States spends over 14%, although cost sharing by patients is so much higher in the U.S., even among the elderly, and although over 35 million Americans have no insurance at all? If insured Germans are medically obese, what adjective is one to use for in[sured] Americans?

NOT TRUE 8.2%

THE PRESIDENT HAS SEEN
3.7.94

THE WHITE HOUSE

WASHINGTON

94 MAR 1 All : 59

MEMORANDUM TO THE PRESIDENT

From: **MARK GEARAN** MG

Date: **MARCH 1, 1994**

Subject: David Yepsen Interview

I have attached some stories that David Yepsen wrote based on his Friday interview. As you can see, the stories are both substantive and fairly positive. We plan to continue scheduling interviews with influential political reporters from newspapers around the country, focusing on reporters who are not based here in Washington. Later this spring, we also hope to host a roundtable at the White House with influential political reporters from major regional papers -- e.g. Tom Baxter from the Atlanta Constitution-Journal, Tom Fiedler from the Miami Herald, Fred Brown from the Denver Post, etc. Please let me know if you have any thoughts about this process.

OK - I still think
we should have a systematic
way of bringing in the editorial
writers (major) reporters of all the
papers that supported us

By DAVID YEPSEN
Register Staff Writer

Washington, D.C. - President Clinton said Friday he would not cut farm subsidies to provide money for rural development or other high-priority national programs.

Clinton, in an Oval Office interview with The Des Moines Register Friday afternoon, also said he does not believe his get-tough policies on trade with Japan will spark a trade war.

And he declared candidly that his health-care reform proposal could result in job losses among workers in Iowa-based health insurance companies.

The president also acknowledged that as the nation solves problems of illiteracy and crime during a time of federal budget deficits, Iowa may lose some federal assistance as scarce federal dollars are redirected toward the regions with the most difficult problems.

The chief executive sat in an easy chair and sipped coffee from a paper cup as he chatted about a variety of Iowa and national issues during the 30-minute conversation. It came on a day when he, Vice President Al Gore and other administration officials were host to some 200 Iowans, mostly Democrats, during a series of briefings and a White House lunch.

Clinton apologized for running late, saying he had spent his morning dealing with the latest troubles in the Mideast. He said he hoped to visit Iowa soon to do something more than look at flood damage.

He declared strong support for the nation's commodity programs at a time when some farm-policy experts and members of Congress are predicting significant cutbacks.

""I wouldn't mind doing some more investment in rural development . . . but I don't think it ought to be funded by hurting the farm support programs,'' Clinton said.

Clinton also said the administration's decision on Friday to increase advance cash subsidies to farmers ""will help farmers on the front end'' with money to plant crops in the spring.

His administration is shaping recommendations for an updated farm bill, the legislation that annually pumps hundreds of millions of dollars into Iowa's economy.

Some observers believe the 1995 farm bill is likely to reduce government payments made through various commodity programs, and perhaps divert that money to rural development, environmental and other efforts.

Asked about that, Clinton said: ""I do believe there needs to be an overall development strategy for the distressed areas of the country. . . .

""But if you are asking me, have I made a policy decision to reduce direct farm supports so that I can increase investment in rural communities, the answer is no. Nor has anyone recommended that to me.''

Iowa's economy has become increasingly dependent on a variety of exports, and some observers fear the Clinton administration's get-tough policies to open Japanese markets could jeopardize the sale of Iowa-made goods and Iowa-grown commodities.

The president said: ""The last thing in the world I want is a trade war.'' He said he had worked to open the rice market in Japan, something that should help other agricultural commodities.

""I can understand that people like farmers that may be exporting to Japan now may worry about it.'' But he said he expects the Japanese to back down and open their markets because they have more to lose in a trade fight than does the United States.

The Japanese ""will be reluctant to promote a trade war'' where each country takes steps to restrict the sale of goods from another country. ""I'm still hopeful we can work this out. . . . I don't think we're going to have a trade war. Our relationship is too important. On the other hand, we can't let somebody make a deal with us and walk away and make no response.''

Clinton also talked about some of the proposed shifts in federal spending as the nation attacks such things as urban crime and education. Iowa may lose in the short term, he acknowledged, but he said all states would share in the long-term gain.

""As we make some progress in solving some of these terrible social problems, we will spend much less money and time on it in the long run. Our economy will grow more and Iowa will benefit more by freeing us up from those problems.

""But I think most Americans, even in rural areas with not much crime, want us to go after these crime problems.''

The goal of Friday's event, which Clinton aides dubbed ""Iowa Day,'' according to Democrats, was to shore up the president in a key early presidential state. Democrats also wanted to use the visit to respond to the barrage of criticism leveled at Clinton by Republican presidential hopefuls who are traveling regularly through Iowa.

""The main thing I'm trying to do is keep the White House connected closely to people at the grassroots level who helped to put us here,'' Clinton said. ""It's sort of a reverse bus trip. It's our way of not letting the administration get out of touch with people at the grassroots level.''

He noted he had traveled to Iowa during the spring floods but ""I want to come for some other purpose'' next time.

During the interview, Clinton touched on a variety of issues, including:

The elderly. Iowa has one of the oldest populations of any state, and Clinton used the interview to reassure them about health care.

""The first point that needs to be made is that we leave Medicare alone, that we not change it and we leave it as an intact, separate program and it works well. It is efficient and most of our senior citizens are satisfied with it. I would not fool with it,'' he said.

He said those earning more than $100,000 ""will be asked to pay a little more'' for some of their benefits. That money, plus a slower rate of growth in health-care costs, will provide money for long-term care and for medication for those elderly who are not poor enough to qualify for Medicaid programs.

""The elderly actually will be among the bigger beneficiaries of this program because we do not plan to do anything to undermine Medicare,'' Clinton said.

The insurance industry. Iowa is home to many employees of the insurance industry who fear a loss of jobs as a result of health-care reform initiatives.

""I want to be candid about this,'' he said. ""Overall, we will have fewer clerical workers in the health insurance industry and in hospitals and clinics if our plan passes because today this system mandates excessive paperwork and clerical expenses.''

But, unlike supporters of a government-run program, ""I don't propose to do away with the health insurance industry. I think the health insurance industry can play a major role in managed care. I think the health insurance industry can play a major role in holding down the cost of health care in a genuinely competitive

""But I don't think it is right for us to be spending roughly a dime on the dollar more than any other country in the world on the paperwork cost of health care,'' he said.

Clinton: GOP had its turn, blew it

For 20 years, he says, Republicans in the White House failed to back up their rhetoric blasting tax-and-spend Democrats.

By DAVID YEPSEN
Register Staff Writer

Washington, D.C. — Republican presidential candidates starting to crisscross Iowa are opening the 1996 campaign way too early, President Clinton said last week, adding that he will not take their attacks lightly.

In an Oval Office interview with The Des Moines Register Friday, the Democratic chief executive replied to GOP criticisms that he is raising taxes and expanding government.

"They had the government for 12 years, from '81 to '93," he said. "And they had it for eight years before that. So they had it 20 of the last 24 years. And they quadrupled the deficit on their watch."

"Constant Siren Squall"

He said the Democrat-controlled Congresses often approved budgets that were smaller than those proposed by the GOP administrations.

"My answer to them," he said, "is they got elected for over 12 years by basically having this constant siren squall against taxes. Most of them voted for taxes, the ones that were in the administration, every year they were up here. And we know that in those 12 years, taxes went down on the wealthy and up on the middle class while the deficit exploded.

"When I came in I had to get the deficit down, to try to drive interest rates down, to try to keep inflation down while we were having economic growth. That was my strategy.

"And then to try, with real discipline, to target some areas where we needed to spend more money, principally in the areas of education and training; and then to try to deal with issues that I thought had been talked

"They can talk about all this, but the truth is, we've got the deficit coming down and that's what's kept interest rates down and that's what's given us some new growth. And we've shown some discipline. If Congress will adopt this budget — which is a no (new) tax budget — that I just sent them, we will have three years of declining deficits for the first time since Harry Truman was president.

"I have shown the kind of budget discipline that a lot of Republicans

CLINTON Please turn to Page 8A

Clinton criticizes GOP for tax-and-spend attacks

CLINTON

Continued from Page 1A

talked about for years and years but didn't produce. And I think they ought to come back here and work with me.

"You know, there's going to be plenty of playing time to have politics in 1996. If there are problems in the economy, problems in other places, they'll have plenty they can talk about and run on — we can argue about all that later. We ought to be working for America for a year or two. We ought to take a little time off to work for the people before we start politicking again."

Democrats are worried that a drumbeat of Republican criticism will eventually take a toll on the president and other Democratic candidates. They organized an "Iowa Day" at the White House Friday and brought 200 Iowans, mostly Democrats, to the capital for briefings, receptions and political hobnobbing designed to equip the Iowans with information they need to sell the president and his program in Iowa.

But an Iowa Poll shows the GOP blasts are not having much impact in Iowa. After 13 months on the job, Clinton's approval rating is the highest it's been since he took office. Sixty-four percent of Iowa's adults approve of his performance. Told of the poll's findings, Clinton smiled and said, "Wow. I accept."

Clinton admitted his first year was a little rocky because "I came out of a state where we worked together. I'm not used to an atmosphere as highly partisan as this one is. And because I took on a lot of tough decisions early and didn't mind biting a lot of bullets — a lot of those people who are visiting Iowa were in New Hampshire before I'd been president 100 days."

Despite the fact his "Iowa Day" was aimed at the 1996 campaign, Clinton said, "I don't think the American people want us to start running the campaign in '96. I think they want us to show up here for work every day — all of us."

Clinton carried Iowa in the 1992 general election and said "the people of Iowa were very good to me in the last election." And he praised Sen. Tom Harkin of Iowa, who unsuccessfully challenged Clinton for the Democratic nomination and went on to work hard for Clinton's election.

"He was wonderful ... he's been just terrific," Clinton said.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

3.7.94

MEMORANDUM TO THE PRESIDENT

94 MAR 1 A11:59

From: MARK GEARAN MG

Date: MARCH 1, 1994

Subject: Local Columnists Roundtable

I have attached a recent column by David Nyhan of The Boston Globe that I thought you might find interesting. Later this spring, we would like to invite local columnists from regional papers -- e.g. Mike Royko from the Chicago Tribune, Herb Caen from the San Francisco Chronicle, Nyhan and others -- in for a round-table interview. These local columnists tend to write stories with less seasoned cynicism about politics. They also write columns that many readers turn to immediately in the morning. Most importantly, readers seem to trust their local columnists more than the nationally syndicated columnists and the political reporters. Please let me know if you have any thoughts about this round-table.

Clinton

ocus on Politics

MARK RYT

DAVID NYHAN

The commission's in the mail

America, the land of the super salesman, has a new super salesman-in-chief. Wild Bill Clinton just set the record as sell ngest president, going chin-to-chin with the Saudis. He kept jawing at them, rubbing their backs, massaging their shoulders and feeding them cookies till they bent, and then broke.

Looking like a teen-ager who'd just scarfed the last pork chop on the plate, President Pitchman landed for Boeing and McDonnell Douglas Corp. a $6 billion deal for 50 or more comm rcial airliners. Talk about recessi enders.

If is true, as the White House avers hat for every billion in exports, 0,000 Americans get jobs for a year then this little item should be worth 20,000 job-years spread over a 3-ye period. That's like giving every w ker in Vermont a crack at six month on a good job at a good wage.

Wh t is bad news for Europeans – the Airbus consortium lost – is great ews for Americans, and for Mr. Br ng Home The Bacon himself, a k a B ll Clinton. He romanced King Fahd y letter and by phone; he hauled Prince Bandar into the Oval Office r the full-court press.

Thr e times he dispatched Cabinet-lev l emissaries to the kingdom, where the rulers were presumably remind d that were it not for Uncle Sam's (George Bush's?) military, the beds in the palace in Riyadh would be fille nightly with Iraqis.

Clin on pulled all sorts of strings, getting the Export-Import Bank to help th Saudis with their cash-flow problem, and knuckling US defense contrac ors to allow the Saudis to stretch out payments for military gear. I have the sneaking suspicion that if rince Bandar wanted to get his nep ew into West Point, or have Warren Christopher buff up the embassy li o, Clinton would have fixed that, to . This one was that big.

He idn't just bring home the bacon; ou restless Razorback of a presid nt dragged back the whole hog, including the squeal. We had a great lesman in the Oval Office during Reagan's first term. He sold us Rea anomics, which in retrospect was lik selling shares in the Titanic as it w going down.

But his Clinton lad has a similar

President Clinton earned his wings with the sale of 50 US airliner to Prince Bandar of Saudi Arabia last week.

AP PHOTO

knack. No, the voice is not the quality of that marvelous Reagan rasp; Clinton's pipes always sound as though there's a crack in the woofer somewhere between his lips and your ear. But Clinton has that instinct for closing the sale. "He's a seducer," fumes a pal who fears Willyum sells snake oil off the back of his pickup truck.

That salesmanship came into play in grand style when, fresh off the Saudi deal, Clinton waded into an audience of older Americans and pitched his medical scheme. Any half-decent Clinton speech is usually good for an uptick in the ratings.

This time, his New Jersey audience responded eagerly to his rap on health. They'd been assembled by the mighty AARP, the American Association of Retired People, which seems sympathet but remains officially uncommitt to the Clinton approach.

"The ne ha come to be counted, to st l up, take a stand and to fight th us you want to get somethi don " the president barked. After weeks of gett g nibbled to death, and having o business lobby after another fold n him and come out against his pla , Clinton is getting tough, nailing he insurance industry for misleading advertising and turning up the populist blowtorch. I think it will work.

The debate around health care has shifted from "No way" to "Well, maybe a little" to "God, it's bad, we gotta do something" to "Well. Clinton's right in general but he's wrong on some of the specifics." That's a lot of ground-shifting that's taken place, and it's all going Clinton's way.

He is a lousy president for filling appointments and picking personnel. He has a tough time focusing on a long-range plan. He's getting better at staying on his feet, and avoiding the pratfalls of the first half of his first year.

But he is one helluva salesman. He's never better than when he's outside D.C., rolling up his sleeves, whaling away at some target or other. He's better on the attack. People still give him the benefit of the doubt, and they like his wife.

He's made tons of dumb rookie mistakes, but no one thinks he's not trying as hard as he can. He's taken on some big fights. And the economy is ripening by the day. For reasons I cannot fathom, the stock market remains pumped with helium.

He's been nowhere on foreign policy, to tell the truth, which may be about as good as he can do in that area. But he's able to sell what he needs to sell at home, and that goes for a changed health care system, which should be in place in truncated form this fall. Let's hope he doesn't get carried away selling us air strikes in Bosnia and Tora Tora Tora trade wars with Japan.

It's rarely a smooth ride with this guy; he drives that presidential wagon like a teen-ager with the radio up and his foot to the floor. I know it's a rough ride, he winks; that's why I keep that Astroturf on the bed of the pickup. Like every natural salesman, he's got an answer for everything.

David Nyhan is a Globe columnist.

THE PRESIDENT HAS SEEN
3.7.94

THE WHITE HOUSE

WASHINGTON

94 MAR 1 A11:59

MEMORANDUM TO THE PRESIDENT

From: **MARK GEARAN** MG

Date: **MARCH 1, 1994**

Subject: Western Meeting

On Monday, February 28, 1994, I convened a meeting with Secretary Babbitt, his top staff at the Interior Department and Stan Greenberg to discuss the administration's communications strategy in the West, particularly in the Rocky Mountain states. This meeting followed up on a discussion we had in December that led to polling that Stan did in New Mexico, Nevada and Colorado earlier this month.

Secretary Babbitt's initiatives to reform the grazing regulations and update the mining law have generated a great deal of media attention in the West. Recently, Secretary Babbitt has taken some of the edge off the grazing debate by establishing an extensive consultative process in Colorado. As you can see from the attached clips, we are making some headway in the West by involving state and local elected officials in that process. Stan's polling makes absolutely clear what we intuitively know: there is no substitute for validation by state and local elected officials on western land reform.

We are continuing to work with the Interior Department to improve the tone of the coverage of our western issues. I will keep you updated on that effort as it moves forward.

but no help in other states

1/11/94 P9A

Clinton not waging war on West, Campbell says

Bob Silbernagel
Daily Sentinel

Despite claims by some Republicans, President Clinton isn't waging a war on the West, said Sen. Ben Nighthorse Campbell, a Colorado Democrat.

In fact, Campbell said, "in some cases he's been our last resort. If it hadn't been for him we would have lost the grazing-fee issue."

Campbell talked with The Daily Sentinel on Saturday night after speaking to the annual meeting of the Fruita Consumers Co-op at Two Rivers Convention Center.

Last fall, when the Reid Grazing Amendment to an Interior Appropriations bill was being filibustered by Western senators, it was Clinton who got the measure killed, Campbell said.

"I called him and explained to him just what was in the amendment and what it would do to the West," Campbell said. "He told me, 'I'll go to work on it right now,' and the next day the Reid Amendment was withdrawn."

Campbell's counterpart, Colorado Republican Sen. Hank Brown, has been one of the most vocal of those claiming the Clinton administration is waging a war on the West.

"I know Hank's saying that, and Hank and I work well on a lot of issues, but that just isn't the case," Campbell said.

He added that he's been told by Republicans that the war-on-the-West theme is part of a GOP strategy to make sure Clinton doesn't carry Western states in 1996.

Campbell said he not only sees Clinton as an ally on western issues, but he thinks Vice President Al Gore is one as well.

"I don't see them as the enemy at all," he said.

That's not to say there aren't plenty of enemies of traditional Western lifestyles in Washington, Campbell said.

"We're going to have some real tough fights" over issues such as reauthorization of the Endangered Species Act, funding for any federal water projects, and the continuing debate over grazing reforms, he said.

Campbell told those gathered for the Co-op dinner that "I honestly don't know how some people in agriculture are going to stay in business."

For instance, he said, a sheep rancher in the West faces the loss of wool-incentive money in the next few years, a likely increase in the cost of grazing his animals on public lands, health-care reform that might require him to provide health insurance for his employees, as well as foreign dumping of sheep and wool on international markets to lower prices.

"All of these add up to me to bankruptcy," he said. "I've got it easy going back to Washington and fighting these battles compared to what you have to do to stay in business."

Later, Campbell said he believes agriculture will survive in the West, but "It's going to change," as more wealthy people move to the region to get away from urban problems."

C

Rocky Mountain News Mon., Dec. 27, 1993

Rangeland reform nearing conclusion

Innovative ranchers and environmentalists embracing compromise

By Deborah Frazier
Rocky Mountain News Staff Writer

The West's long-playing rangeland reform drama, currently performed in Colorado starring innovative ranchers and committed environmentalists, may be close to a happy ending.

"Sometime, somewhere in the West, this needed to happen," said Bill Riebsame, a University of Colorado professor of resource management and one of the 16 members of the panel. "It wasn't happening in the old system or in Washington."

Gov. Roy Romer convened the group, selecting ranchers known for land stewardship and environmentalists versed in finding common ground.

Interior Secretary Bruce Babbitt, scorched by congressional defeat of his own rangeland proposal, jumped on board to settle century-old issues and boost grazing fees but to increase funds for rangeland improvement.

"The adversarial phase is alive and well elsewhere in the West. How can we promote this elsewhere?" he said. "What's most impressive is your ability to come together, see each others' point of view and build from your commonality."

Pressuring for change is public criticism of rangeland abuse and below-market fees. Historic highlights include:

- Nearly 20 years of studies by federal researchers and scientific groups condemning the Bureau of Land Management for overgrazing.
- All-rancher grazing boards, which control the portion of the fees earmarked for rangeland improvement, sometimes using the funds to sue the BLM and fight penalties for violations.
- Irresponsible, but politically powerful ranchers pressuring

See BABBITT on 9A

Heated confrontations giving way to cool heads

BABBITT from 8A

county commissioners, state lawmakers and even members of Congress to reassign BLM personnel who opposed them.

■ A political climate in which the late Colorado rancher Bob Burford, repeatedly warned by the BLM about overgrazing, came to head the BLM.

■ BLM managers becoming rigid about rules in order to avoid conflict. The agency refused to allow innovative ranchers to try new ways to improve the range.

"The Bureau of Land Management, because of political pressures, hasn't been an effective steward of the land," said Babbitt, who oversees the BLM.

In Colorado, 1,700 ranchers run cattle and sheep on 7.3 million acres of BLM land. Nationally, U.S. Forest Service grazing land, managed less politically, is in better shape.

Babbitt, a third-generation rancher whose family operation uses BLM land, said the issues aren't new — but cowboys, environmentalists and government officials sitting down together is "revolutionary."

"Ultimately, the West we all like depends on us being able to do just that," said Gunnison rancher Ken Spann.

The early sessions featured shouting matches between ranchers who live on the land and city-based environmentalists committed to protecting the land.

The notion of fashioning a management model for the West died fast.

And the guiding vision sprang from Gunnison rancher Brad Phelps' presentation — complete with before and after pictures — on permittees restoring severely overgrazed land to grasses and streams.

Last week, the holiday spirit, the impending deadline and a growing respect for each other allowed the group to reach consensus — under the guise of giving each other Christmas presents — on councils and boards to oversee reform.

"Each week is a total surprise," said Maggie Fox of the Sierra Club Legal Defense Fund.

Heated confrontations between ranchers and environmentalists have cooled. Rifts within the two sides sharpened but were settled by compromise:

■ Fox argued against a residency requirement for the environmentalist members on local grazing boards while community-based environmentalists opposed it. In the end, residency wasn't required, but locals will have preference.

■ Spann favored community-based boards and councils while the other ranchers wanted logging, mining and oil and gas companies included. They agreed to put "affected interests" on district councils but not on local boards.

All participants have fielded phone from constituents urging less compromise. Neighbors, relatives and livestock groups lobbied the ranchers. National conservation organizations and Colorado-based coalitions worked on the environmentalists.

"The people in my area are curious and they're afraid," said Craig rancher Tom Kourlis. "They were led down the path nine months ago with Babbitt's public hearings. And they're fearful it will happen again."

With only two sessions left, the panelists are committed to reaching consensus on some of the two-dozen issues remaining on the agenda, including the combustible questions of water rights, fees and ecosystem health.

"It's an awful short time to do a lot of work," said Eric Johnson, who refers to himself as the token environmentalist for Club 20, a Western Slope lobbying group. "If the end result is some kind of workable solution, it's worthwhile."

discouraging words

By Linda Kanamine
USA TODAY

DERBY MESA, Colo. — Here on the Albertson ranch, off a two-rut muddy road, 8,100 feet high and 1,500 miles from Washington, D.C., Interior Secretary Bruce Babbitt is an overwhelming presence.

Not that he's ever been here.

But it is in places like this across the West that Babbitt — and his vow to reform public land policies — ran headlong into the toughest challenge of his year-long tenure. Though Babbitt won't unveil his new grazing reform plan until next month, he promised Monday to address local concerns.

Nevertheless, concern among ranchers who depend on leased range in the neighboring White River National Forest runs as high as the ragged peaks of the nearby Rockies.

"There's no better place to live. But if you take the range away, it's worthless," says Kendra Scott, sitting in her grandfather's cluttered kitchen.

"There's been a push to stop the use of natural resources," adds her husband, Keith, who helps manage the 400-cow operation near Burns. "Deep down, I think the intent is to take away our rights, our livelihoods."

By Matt Mendelsohn, USA TODAY
BABBITT: "I'm always about mending fences."

Babbitt, a former Arizona governor, spelled out his goals in his first days in office: To end "giveaways" of public resources — grassland, minerals, water and trees — and pave the way for a "new West."

"I see a new West that is full of large majorities of people who came to the West for the values. Who care deeply about clear air, good water, diversity on the landscape, healthy wildlife, good streams to fish in. That's why people go to the West," he said in a recent interview. "I believe we have a mandate from the public to be more sensitive about the way we manage public lands."

Many who rely on those public resources are trying to figure [illegible] watching Babbitt's new grazing reform as the litmus test.

"I still don't trust him," says Reeves Brown of the Colorado Cattlemen's Association. "He's not only handed us change, but he handed us 180-degree change. We don't need to destroy the communities of the old west to make room for new ones."

Skepticism stems largely from the roller-coaster ride Babbitt's scheme to hike fees and overhaul range rules has taken: A round of public meetings this summer focused largely on fees; the first proposal included federal takeover of water rights and improvements; lawmakers tried to legislate less restrictive reforms but lost to a filibuster.

That placed the ball back in Babbitt's court. So he turned to Colorado for ideas.

Four hours from the Albertson ranch, Colorado Gov. Roy Roemer recently presided over a meeting of Colorado ranchers, environmentalists and public officials.

Roemer's suggestion to Babbitt: Let Coloradans craft a range plan suitable for federal lands in their state. "We're after a place where all of you can come together and solve problems locally, rather than have one size fits all rule."

Babbitt was so tickled with the idea, he promised Monday that his pending grazing plan would return management of federal rangeland to those living closest to it by creating local advisory boards to resolve differences.

"I'm always about mending fences," he insists. "That's my style. There is not a confrontational gene in my persona."

For Kurtis Scott, 6, Babbitt's decision could have an effect on his future. "I love ranching. This is what I want to do," he says, wearing his grandfather's black cowboy hat.

Unequal funds for endangered species

By Anita Manning
USA TODAY

Some endangered species get more respect — and more money — than others, says a new report from the University of Chicago.

Mammals and other animals at the top of the food chain get the lion's share of government money for their protection, while other, less recognizable creatures get little or nothing, says Don Coursey, a professor of public policy who studied spending on endangered species.

That's in line with the public will, according to a poll that shows people "divide endangered animals into distinct preference classes," says Coursey in a report to be presented later this month to the American Association for the Advancement of Science.

Among the most popular animals are the bald eagle, whooping crane, sea turtle, sea otter, grizzly bear, peregrine falcon, Florida panther and red wolf — all animals Coursey calls "charismatic megafauna," or big, appealing creatures. Least popular: the Kretschmarr Cave mold beetle, the Tooth Cave spider and the Tipton kangaroo rat.

Biologists might rank animals differently, he says. "There are indicator species, [illegible] are disappearing in certain areas. That's more than just bad news about frogs. It may tell us something about the whole ecosystem," he says.

"The public apparently does not want to run our endangered species policy the way Noah ran the ark: that everybody's equal and everybody gets on board," Coursey says.

"At the emotional level, everybody agrees all these creatures have value and importance," Coursey says. "But the emotion is forced to be focused [illegible] sources."

Where the money goes

To determine the cost for preserving endangered species, University of Chicago professor Don Coursey counted the government money spent per animal to increase the population of each species. Getting top dollar:

▶ Florida panther, $4.88 million per animal.

▶ California condor, $1.57 million.

▶ Bachman's warbler, $1.11 million.

No money is spent on the desert slender salamander, the Mariana mallard and the Monito gecko.

White House: Stable growth through 1999

From staff and wire reports

The Clinton administration told Congress Monday that it expects the economy to continue to grow moderately and inflation to stay relatively low through 1999.

In the annual Economic Report of the President, Clinton's Council of Economic Advisers says it expects gross domestic product to grow 3% this year and 2.7% next year after adjusting for inflation. The report predicts consumer prices will rise 3% this year and 3.2% next year, vs. 2.7% last year.

Unemployment should average 6.3% this year and 5.9% next year, the report says.

Also Monday, many of the nation's top economic forecasters said they see the economy growing more slowly in 1995 than this year.

The consensus of 44 forecasters surveyed by the National Association of Business Economists calls for economic growth of 2.8% in 1995, down from 3.2% this year.

TUESDAY, FEBRUARY 15, 1994 · USA TODAY

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Second 'Sagebrush Rebellion'?

Congressmen, public-land users urge another try at gaining control of property from federal government

By Deborah Frazier
Rocky Mountain News Staff Writer

Miners, loggers, ranchers and conservative congressmen shouted a battle cry Monday against President Clinton's so-called war on the West and endorsed giving federal lands to the states.

"Some of you remember the Sagebrush Rebellion," said Joel Hefley, R-Colo., referring to an unsuccessful uprising over public-lands use in the early 1970s. "We're about ready to rebel again."

At the National Policy Forum's "Listening to America" workshop in Denver, Hefley, Sens. Hank Brown, R-Colo., and Malcolm Wallop, R-Wyo., and Rep. Wayne Allard, R-Colo., heard users of public lands vilify Clinton, federal-lands managers, environmental laws and eastern liberals.

"There is an attack on the West," said Rep. Dan Schaefer, R-Colo., co-sponsor of a bill to return all Bureau of Land Management lands to the states. "It's time to get the federal government out of regulating things like timber, mining and grazing."

Monday's audience of about 250 included a dozen people from Nevada, where 16 of the 17 counties claimed control of all Forest Service, National Park Service and Bureau of Land Managment land in December. Nevada, which is 88% public land, notified the federal government of the action in January. The government objected and is mapping a strategy for handling the claims.

"We can't afford the federal government" said Ed Presley of the County Alliance to Restore the Economy and Environment, which is assisting the counties.

Dick Carver, the Nye County commissioner who organized the other counties, said that federal officials who act outside their scope of duties may be sued and that any official who threatens retaliation risks a civil suit and county criminal charges.

Members of the audie[nce] many with copies of the [U.S.] Constitution in their shirt p[ock]ets, cheered.

"The miners and the log[gers] and the ranchers are the pro[duc]ers of stuff, and stuff is w[hat] makes the world go arou[nd]" said Bill Grannell of the Pue[blo]-based People for the West.

Steve Groer/Rocky Mountain

From left, Rep. Craig Thomas, R-Wyo., Sen. Hank Brown, R-Colo., and Sen. Malcolm, R-W[yo.] discuss public-land issues at the "Listening to America" forum at Stapleton Plaza Hotel.

Babbitt announces 'balanced' plan for rangelands

By Dick Foster
Rocky Mountain News Southern Bureau

COLORADO SPRINGS — Interior Secretary Bruce Babbitt unveiled a plan Monday to increase local authority over use of public rangelands.

Babbitt outlined the plan at a convention of users, as the annual meeting of the Society of Range Management opened at the Broadmoor Hotel. More than 1,500 delegates from the United States and Canada gathered.

The organization includes ranchers, agricultural industries, government officials, educators and environmentalists.

Babbitt's initial proposal, unveiled in August, called for cooperative use of rangelands, and Monday he said such cooperation could be enhanced if policy were moved closer to the local level, involving discussion and consensus by all of the interest groups involved in rangeland use.

In the past, Babbitt said, advisory groups that recommended rangeland management policy were weighted in favor of ranchers and commodity producers.

He said regulations due next month will "assure balanced representation of all the diverse groups and interests that have a legitimate stake in the administration of public lands."

One-third of the member[s of] the new Resource Advis[ory] Council will be representati[ves] of commodity producing in[dus]tries, including grazing, mi[ning] and timber. One-third will [be] from bona fide environmen[tal,] conservation and sportsm[en] groups. And the other third [will] be selected from public-land [us]ers, state and local officials [and] the public at large.

CLINTON ADMIN.: POLICY CHIEFS MODERATING APPROACH?

With a "watershed year for environmental laws just beginning," the heads of the Clinton admin.'s enviro-related agencies are attempting to "push a tough, but pragmatic, agenda through a Congress that is suddenly woozy over such popular laws" as the Endangered Species Act. Reviewing the lengthy list of environmental statutes due for revision in the months ahead, White House enviro policy chief Katie McGinty says, "It really does afford us the ability to recreate and recast environmental policy ... in a way that is not antagonistic to our other economic policy objectives."

The "overarching theme" in the admin.'s enviro protection programs is to reverse decades of "command and control," in which "standards were set and industries ordered to meet them in a specified way." McGinty: "We are hearing the voice of industry, property owners and others who find themselves in a bewildering array of regulations, and I think the message is a powerful one." EPA Administrator Carol Browner: "It's time to move beyond the adolescence of environmental regulation."

In the face of "a series of gaffes" and the recent League of Conservation Voters presidential scorecard, which gave Clinton a C+ grade, the administration has embarked on what LCV's Peter Kelley calls a "charm offensive with environmental groups." At the same time, Browner recently asked the U.S. Chamber of Commerce to support proposed increases in her agency's budget. "In another era, such an appeal would be akin to a firing squad asking a condemned prisoner for extra bullets."

Enviros see several causes for the admin.'s moderate environmental bent. Audubon Society's Ron Tipton: "I think it's tempered by a big dose of politics and a lot of how Bill Clinton likes to run the government." LCV's Kelley blames Capitol Hill: "It's a regional [Western] minority led by conservatives who have lost some of their favorite Cold War issues and now they're turning their big guns toward environmental protection" (Ken Miller, Gannett News Service, 2/25).

BABBITT IN "DEEP COW MANURE"?

A year after taking office, Interior Sec'y Bruce Babbitt "has found himself in deep cow manure with his green friends." Babbitt is no longer a "Just-Do-It conservationist who can't revamp antiquated regulations fast enough." Babbitt is "preaching a cautious, if more ambitious gospel: seeking consensus to merge the old West with the new." Babbitt's "new conciliatory approach" toward grazing reform is "more reflective" of Babbitt's style, according to ex-Interior chief/ID Gov. Cecil Andrus (D) (Carol Bradley, Gannett, 2/25).

support, I won't win. That's monetary support -- I've got plenty of volunteers, I need monetary support.

GREENWIRE: When do you expect to make a decision?

BACA: I would think by the end of the week.

GREENWIRE: If you decide not to run for governor, would you consider a run for Congress or some other office?

BACA: Congress does not appeal to me very much, to tell you the truth. I think what I'd like to do, if I don't run for governor, is try to do some consulting in the West on these issues and hopefully stand as a go-between for these warring factions. I think you can get level-headed people to sit down and talk to each other without having to compromise yourself and your principles. You always have to give a little, but there comes a point when you're giving too much. Maybe I can be more vocal on the outside -- I sure couldn't be vocal on the inside.

*2 BACA'S RESIGNATION: HOW'S IT PLAYING?

The following 4 editorials are mostly critical of the decision to ask Jim Baca to resign as head of the BLM.

ALBUQUERQUE JOURNAL: "The Baca sacking may play well in the Wyoming statehouse and in some corners of the US Senate. But the fallout from other quarters will be long and intense" (2/6).

FARMINGTON (NM) DAILY TIMES: "One can argue the merits or demerits of the Interior Department's proposals for changing the way public land is managed. But to blame Baca, to lay him out for sacrifice, is wrong and unfair" (2/7).

ST. PETERSBURG TIMES: "Knowing that Baca's departure would embolden opponents of reform, Babbitt should have stood by him publicly as he privately corrected him. ... Environmentalists are justifiably disgusted" (2/13).

Santa Fe NEW MEXICAN: "There's a big difference between Baca and Babbitt: Baca means what he says. Babbitt ... is well known out West as one to cave in at the slightest sign of pressure" (1/29).

OPINION

ALBUQUERQUE JOURNAL columnist Richard Parker: "As a professional politician, Baca knows that Machiavellian back-stabbing comes with the territory; he'll live. ... [The move] is clearly a symbolic victory" for ranchers (2/6).

============== SOCIETY AND POLITICS ==============

*3 GRAZING FEES: ENVIROS, RANCHERS EXPRESS CONCERNS

Despite his efforts to find some common ground on the issue, Interior Sec'y Bruce "Babbitt clearly is having a difficult time establishing a policy that ensures the health of ecosystems, gives taxpayers a better return and still allows ranchers to use public lands like feedlots." Babbitt met yesterday with ranchers, enviros, Native Americans and others in Phoenix to discuss the local advisory council proposal he unveiled on 2/14 (see GREENWIRE 2/15). Conflicts between ranchers and enviros during the roundtable session showed that "reaching the kind of consensus Babbitt seeks could prove difficult."

Enviros and ranchers both expressed concerns that the new councils would be "rigged" to produce outcomes unfavorable to them. Jack Metzger, "a prominent Arizona rancher," called Babbitt's proposal "scary." Navajo President Peterson Zah, in a "jest [that] momentarily cut the tension": "If you cannot reach a consensus, we suggest you turn the land back over to the original owners" (Steve Yozwiak, ARIZONA REPUBLIC, 2/16).

============== WASTES AND HAZARDOUS SUBSTANCES ==============

*4 INCINERATORS: ALLIEDSIGNAL MAY FACE $25,000-A-DAY FINE

AlliedSignal Inc. has been cited for a series of violations related to the operation of two toxic-waste incinerators at its Philadelphia chemical plant. The EPA says the plant may have emitted ash and chromium into the air. In an unannounced inspection in 11/93, the EPA found six violations, including "inadequate analyses of the materials going into the toxic-waste boiler and of the emissions coming out." EPA's "notice of violation" requires the company to correct the problems immediately and gives it 30 days to respond in writing.

John Bresland, manager of the AlliedSignal plant, yesterday defended the facility's operations: "We feel we are generally in compliance." EPA's Ruth Podems: "Part of the purpose of the notice is to get a dialogue going with the company." Podems said if AlliedSignal and EPA can't reach an agreement, the agency could file a complaint that would carry a penalty of up to $25,000 a day for each violation. The 40-year-old plant makes phenol, a widely used industrial solvent, said Bresland (PHILA. INQUIRER, 2/16). Under EPA rules, facilities that burn hazardous waste in boilers must keep records which enviro agencies can verify (Reuters/INVESTOR'S BUSINESS DAILY, 2/16).

MO BIZ GROUPS BATTLE TOUGHER RULES

Two "powerful" business lobbies and the Missouri Department of Natural Resources are engaged "in a battle that could decide how forcefully state government can act to control pollution." The DNR's efforts to impose incinerator emissions regulations stricter than federal regulations have been "thwarted at every step" by the Associated Industries of Missouri and the Missouri Hospital Association. AIM is "laying the groundwork" for state legislation that would keep any state pollution rule from being more stringent than its federal counterpart. But DNR Director David Shorr said MO needs stricter incinerator rules than those offered by federal agencies "because of special problems" in the state. Shorr cited MO's geology as an example of why "strict rules for water pollution [are] vital." Shorr: "If we do not have the ability to pass rules more stringent than the federal rules, then our people will be drinking poop" (Rudi Keller, COLUMBIA [MO] DAILY TRIBUNE, 2/11).

A Consensus Approach on Land Use

By JOHN H. CUSHMAN Jr.

Special to The New York Times

PHOENIX, Feb. 15 — Interior Secretary Bruce Babbitt has been barnstorming the West, campaigning for a proposal that would give local interests, including ranchers and environmentalists, far more influence over grazing on public land than the Clinton Administration had previously planned.

Mr. Babbitt is standing firm on his plan to more than double the fees that ranchers pay to have their livestock graze on Federal land. But in what he calls a move to build consensus in drafting new grazing regulations, Mr. Babbitt is promising to broaden the public's involvement in grazing decisions.

At the heart of the plan are regional and advisory councils on which conservationists and ranchers would sit with local government officials and recreational users of public land. The councils' purpose would be to recommend grazing policies on which all sides could agree.

The groups would advise the Federal Government on matters like how much livestock to allow on specific tracts, how to control damage caused by livestock on stream banks, and how to use grazing fees to improve the land.

Unhappy Environmentalists

Environmentalists have criticized the plan, saying the Administration is retreating from the stand it took last year, when it called for tougher environmental standards for the 270 million acres of public range land in the West. Mr. Babbitt fought to a draw with the Senate over that plan.

For two months now, Mr. Babbitt has been meeting with ranchers and environmentalists, trying to convince both sides that his new plan will protect public land in the West from overgrazing without imposing arbitrary rules written by Federal bureaucrats.

In general, while ranchers are not happy with the [illegible] increase, some have said that they were encouraged by the plan. Environmentalists say the proposal would leave too much power in the hands of ranchers.

Compromise and Consensus

In the past, local panels advising the Bureau of Land Management about grazing permits have been dominated by ranching interests. Environmental groups have used legal appeals to fight decisions that they said damaged the land.

Mr. Babbitt has said he wants genuine consensus from the new panels, not recommendations adopted when one side outvotes the other. Changing the grazing system has been one of Mr. Babbitt's main goals since taking office, but he says it has proved far harder than he expected.

Mr. Babbitt is betting that it will be easier to achieve consensus on the range than it has been in Washington, where for the past year the fight over grazing has been distracting and politically costly. When Mr. Babbitt tried last year to insert his initial proposal in legislation providing money for the Interior Department, Western senators led a filibuster that blocked the bill.

The approach Mr. Babbitt is now proposing appears to have made some political headway. It won the endorsement of Senator Ben Nighthorse Campbell, Democrat of Colorado, who had joined the filibuster last year.

But Senator Pete V. Domenici, Republican of New Mexico, was not impressed. He said the plan "should be treated very guardedly," since the Interior Department, not the advisory groups, would retain final control over environmental standards. "It is likely to be a Washington-imposed, one-size-fits-all solution to local problems," he said.

Mr. Babbitt is planning to impose his plan through changes in administrative rules rather than through changes in the law. Changes in department rules do not require Congressional approval. Mr. Babbitt's proposal, expected to be published in March in the Federal Register, will be followed by a six-month period for public comment before final rules are issued.

"We have learned a lot, and come a long way from the original proposal, which was assailed by every rancher from Canada to Central America," Mr. Babbitt told a public meeting in Idaho on Monday. "I am not prepared to concede all of that criticism, but I am prepared to concede 90 percent of it."

For instance, he said he had decided to retain the rule that grants permits for a 10-year period rather than shortening them to five years, as proposed last year. It is that kind of conciliation toward ranchers that has alarmed many members of environmental organizations.

Doubling Grazing Fees

On the other hand, the Administration's proposal will increase grazing fees to about $4 a month for every cow and her calf. The current rate is $1.86.

> **Babbitt tries to get ranchers and environmentalists to agree.**

Mr. Babbitt, a former Arizona governor with ties to both ranching interests and environmental groups, visited Colorado, Idaho, Arizona, Oregon and Nevada this week. As he zigzagged across the arid and mountainous region, Mr. Babbitt said he now believed that he could strike an agreement among those who live "on the landscape," essentially ignoring the well-organized interest groups on both sides in Washington.

But representatives on both sides of the debate questioned whether the new advisory councils would accomplish anything.

"They are basically a new forum through which the ritual combat will continue," said Pat Ford, an environmentalist who met with Mr. Babbitt in [illegible], Idaho, on Monday.

James G. De Flon, an Albuquerque, N.M., rancher who heard Mr. Babbitt present his plan at a meeting in Colorado Springs, said: "These are [illegible] ranchers he has made a deal with. They are all environmentalists."

Mr. Babbitt said he had learned from grass-roots groups in a few pockets of the West that it is possible for longtime antagonists to work toward a common goal of preserving and improving the public range.

"I acknowledge that there is some risk for all sides in this model we are setting up," Mr. Babbitt said. "It represents an act of faith in what is going on in the West. And I expect there will be some failures."

Government Has Final Word

He repeatedly reminded his audiences that the Interior Department would have the final word when it comes to picking the new panels and imposing regulations after the councils have been heard from.

"If it fails, the worst that will happen is that we will be right back where we were before we started," he told a group at a public hearing in Phoenix.

He has told Western governors, many of whom lobbied on behalf of ranchers, that he would consult with them when appointing people to the panels. And he has sought to assure environmental groups that a system of local recommendations could well work in their favor.

"Remember, there was a time when Jim Watt was the Secretary of the Interior and Bruce Babbitt was the Governor of Arizona," he said, recalling the pro-development appointee of the Reagan Administration.

The toughest obstacles to Mr. Babbitt's strategy may arise in places where environmental groups believe there should be no grazing at all, a stand that ranchers find unacceptable.

"I really don't want people on these regional advisory councils who are dedicated to the notion that we want the range [illegible]," Mr. Babbitt said. "They are outside the parameters."

THE NEW YORK TIMES, SATURDAY, FEBRUARY 19, 1994

THE PRESIDENT HAS SEEN
3.7.94

THE WHITE HOUSE

WASHINGTON

94 MAR 2 P4:59

MEMORANDUM TO THE PRESIDENT
MRS. CLINTON
HAROLD ICKES
GEORGE STEPHANOPOULOS
PAT GRIFFIN

DATE: March 2, 1994

FROM: IRA MAGAZINER

SUBJECT: Attached Letter to the Editor, Boston Globe
Academic Health Centers

For your information.

Can we get
this kind of letter
from Ivy Med Ctr?

THE BOSTON GLOBE • TUESDAY, FEBRUARY 1, 1994

Letters to the Editor

Teaching hospitals back Clinton's health plan

Last week, the heads of Massachusetts' teaching hospitals met with our congressional delegation, committee leaders and members of the Clinton administration to explain our concerns about how the administration's proposed health care reform bill would affect our institutions and to ask for help as Congress moves toward our mutual goal of health care reform.

I was perplexed to learn from the Globe (Jan. 27) that our institutions were in Washington to "decry reform bill." I cannot think of a more inaccurate assessment of our message. It is disheartening that expressing concerns honestly and in good faith can be characterized as opposition.

Let me be very clear. Massachusetts' teaching hospitals support the president's plan. We believe it is a crisis that 37 million Americans do not have access to quality, affordable health care. We believe that the number of primary care physicians must be increased. We believe that the insurance system is broken and must be fixed. In short, we support the president's plan and urge its speedy enactment.

We strongly support the aim of the administration's Graduated Medical Education provisions, which provide a separate pool of funds to support GME. This recognizes that GME serves a national need and is appropriately paid for by everyone. Do we support every aspect of the president's plan? Of course not. But we are aware that change is inevitable. Of the reform plans before Congress, the president's is the best for teaching hospitals and academic medical center.

As we work with Congress and the administration, we will focus on our areas of agreement. We have come too far, through the tireless efforts of Sen. Edward Kennedy and the cooperation of the White House, to play into the hands of reform opponents who highlight our differences. Now that we have a president with the courage to lead, Massachusetts teaching hospitals will follow.

J. ROBERT BUCHANAN, MD
General director
Massachusetts General Hospital
Boston

Chron

Boringly
interesting
argument
Clinton X weekly
weekend
BC

THE PRESIDENT HAS SEEN
3 11 94

Jim Hoagland

Don't Blame CNN

Modern statesmen explain foreign policy flaws and glitches by pleading that the CNN devil made them do it. A dangerous self-delusion lurks in this fad of claiming that modern democracies are hostage to overstimulated, underinformed public opinion. And the claim obscures a broader and more worrying change in international relations.

No one can deny the powerful, at times destabilizing, impact of television news on the making of foreign policy in industrialized democracies. But to assign overwhelming importance to the instant news and analysis of foreign events carried by CNN and other networks confuses symptom and cause.

The central problem is not that television's immediacy creates an air of crisis and the public then demands that governments "do something." The central problem is that industrial democracies involve themselves abroad only when crisis hits the television screen and forces them to engage themselves.

Europe and America have pulled back from the long-term development programs they once funded to head off disaster in the Third World. Wealthy nations now prefer to mobilize resources for crises after they occur rather than try to prevent them. As long-term perspectives for foreign policy disappear, soldiers are impulsively dispatched to Somalia and just as hastily withdrawn when things go wrong, and nations quarrel endlessly over intervening decisively or staying out of Bosnia.

The most cogent bill of indictment against the media has been drawn up by Britain's able foreign secretary, Douglas Hurd, who maintained in a speech at the Travellers Club in London last autumn that the media now make, as well as report, the news in foreign affairs.

"Public debate is not run by the events themselves but by the coverage of those events," Hurd said. Then he complained that the media's impact inevitably goes along the path of least resistance:

"Most journalists have become interventionists. It is a human reaction to what they see and report. Faced daily

"Wealthy nations now prefer to mobilize resources for crises after they occur rather than try to prevent them."

with the peculiar horrors of civil war in the 20th century, they feel that anything must be better than this daily experience." Reporters become "founder members of the 'something must be done' school."

Events in Bosnia since Hurd's speech would seem only to confirm his thesis. Coverage of the killing of 68 people in the Sarajevo marketplace by a single mortar shell forced the hand of NATO leaders who had been willing to let the killing go on in smaller daily numbers. They finally issued a bombing ultimatum to the Serbs and enforced the no-fly zone over Bosnia.

This is what statesmen fear and decry: a wave of emotion roiled up by horrific images that demand immediate action. "Action" is usually not suited to the tools and pace of traditional statecraft. Worse, the wave can be pushed back in the opposite direction by new sets of heart-rending images. A government initially lambasted for callousness is suddenly vulnerable to accusations of being foolhardy.

This whipsaw effect is the politician's nightmare. Hurd described what is for him the journalistic corollary of modern military intervention: Electronic journalists "as the casualties grew, would interview weeping and angry relatives, denounce the foolish lack of foresight" by the government and its "crass ignorance of history in entangling ourselves again" in an intractable foreign conflict.

Another British official describes the problem in more (deliberately) provocative terms: "Not long after bombs began falling, some of them would hit a group of nuns playing with children just beside a CNN crew. Our luck would be that the bombs would kill the children and completely miss the CNN crew."

Bombs have missed their target and hit civilians as long as there has been aerial warfare. What is new is CNN. Ergo, CNN is the problem.

Hurd ended his speech by decrying television's emphasis on some crises (Bosnia) and its neglect of others (Nagorno-Karabakh): "Governments and the United Nations cannot confine themselves to events in today's headlines. They have to wrestle also with the unlit tragedies."

But the governments of Europe and North America, absorbed with their own domestic problems, are systematically depriving themselves of the tools needed to deal with lit or unlit tragedies, as they pare back foreign aid and development budgets and dismiss multilateral approaches to global problems. Recent efforts in Congress to withhold U.S. dues already committed to the United Nations are symptomatic of this destructive turning inward.

The basic problem in foreign policy formulation is not CNN's crisis coverage. The basic problem is the growing number of crises themselves as the world's major powers disengage from leadership roles on long-term development and preventive diplomacy. Such shortsightedness guarantees CNN a busy future.

THE WASHINGTON POST

Chron

CAPITAL JOURNAL
By Gerald F. Seib

Chinese Trade: A Useful Debate Becoming Sterile

THE BOOK LANDS on your desk with a thud, and that's the point. It's called "A Directory of Political and Religious Prisoners Detained in China and Tibet," and is published by Asia Watch, a human-rights watchdog group. The book contains the stories of some 1,700 people known or believed to have been imprisoned by the Chinese government because of their views.

The book is at once an illustration of why the U.S. has been right to bore in on human rights in China – and proof that the approach America has been taking isn't working. Even as Secretary of State Warren Christopher heads to China next week to press the current policy, some Clintonites quietly hope to transform that policy. They're right; it's time to give another approach a try.

U.S. policy has been both blunt and unsatisfying. Congress insists that China receive most favored nation trading status—a misnomer meaning it gets the same trade status as virtually every other nation – only if it improves its human-rights performance. In practice, this means an angry debate every spring as the deadline for renewing MFN status approaches, grudging Chinese improvements in some areas, a renewal of trade status for another year, and bitterness all around.

Change is needed, not because the Chinese have made significant human-rights advances, but for the opposite reason: The situation is improving only marginally despite U.S. pressure.

ASIA WATCH'S new report graphically demonstrates that point. Case studies of political prisoners pour out: Gao Yu, a former deputy editor of the newspaper Economics Weekly, arrested two days before she was to leave for a fellowship at the Columbia School of Journalism and charged with "illegally providing state secrets to people outside the borders"; Bishop Fan Xueyan, an 85-year-old underground Catholic bishop who died in custody, his head bruised and both legs apparently dislocated below the knee; Chen Wei, a former university student who has been detained four times since 1989.

If the proof of a policy is in the pudding, the current policy doesn't taste very good. The problem may simply be that neither the Bush nor the Clinton administrations has been willing to pull the trigger on the big U.S. weapon, the revocation of China's trade privileges. But as a practical political matter, the chances of the U.S. doing that have grown slimmer as more U.S. jobs depend on trade with China. And as a policy matter, those willing to explode trade relations with China now have to worry about potentially serious fallout: What if an embittered China stops cooperating in the effort to head off North Korean development of a nuclear weapon, an issue with profound humanitarian implications all its own?

So a quiet debate is building inside the Clinton administration. Officials say some, including Treasury Secretary Lloyd Bentsen, have begun to push for a strategy of getting past this year's MFN deadline of June 1, and then breaking out of the current straight jacket.

Of course, there's no guarantee the administration can even get past this spring's debate, as Secretary Christopher cautioned in congressional testimony yesterday. President Clinton has to be able to certify that China has fulfilled earlier promises to open up its prison labor system and has made "significant progress" on human rights.

BUT LET'S ASSUME China does enough to meet those conditions. Here's a modest proposal on how the dialogue about human rights might then be revamped:

Adopt a new approach paralleling the model developed in the Reagan administration and honed in the Bush administration for handling human-rights complaints with the Soviet Union. U.S.-Soviet relations were divided into a series of five "baskets" of issues, one of which was exclusively a human-rights basket. (The others were arms control, bilateral issues, regional issues and transnational issues.)

Each of those baskets, it was understood, would be considered every time the two nations sat down together for any substantial discussion. Soviet President Mikhail Gorbachev understood he couldn't escape a confrontation on human rights at every major meeting. Human rights was linked to everything else on the agenda, but not to any one thing in particular. Policy makers worried about human rights didn't have to choose between launching a frontal attack—full rupture of trade relations—or doing nothing. Instead, they could strike selectively.

This, of course, is easier to say than to do. Chinese leaders, who don't exactly regard the Soviet Union as a good role model, would have to acknowledge that human rights is an integral part of their relationship with the U.S. In the U.S., human-rights groups would have to be convinced that linking human rights to everything wouldn't be the same as linking it to nothing. Still, alternatives are needed to replace today's increasingly sterile debate.

Tony [illegible]
Interesting
B

RUBIN
per John

THE PRESIDENT HAS SEEN
3.7.94

THE WALL STREET JOURNAL WEDNESDAY, MARCH 2, 1994

Bosnia's Muslims, Croats to Establish 'Binational' State

By CARLA ANNE ROBBINS
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Bosnian Muslims and Croats agreed to form a "binational" state, raising the diplomatic pressure on Bosnia's Serbs to seek peace.

The agreement, brokered by the U.S., is aimed at not only ending some of the fiercest fighting in the region, but also to lay the basis for an economically viable, if considerably smaller, Bosnian state. Further strengthening its chances for survival, the new state would be linked economically and militarily with Croatia, which also joined in yesterday's signing.

The agreement barely mentions Bosnia's Serbs, who control about 70% of the territory in Bosnia-Herzegovina. But U.S. officials said that they hoped by creating a stronger opponent for the Serbs, the Serbs would be forced to give up some of the territory they have seized.

While Bosnia's Serbs also will be invited to join the new "Federation of Bosnia-Herzegovina," U.S. officials conceded that a more probable outcome would now be a two-way partition between the new Muslim-Croat federation and a Bosnian Serb republic. The officials, however, wouldn't say what additional military or diplomatic pressure might be brought to bear on the Serbs. There are also strong doubts about whether the Bosnian Muslims and Croats would stick to the agreement if the Serbs refuse to concede any more territory.

In recent weeks, when confronted by the threat of Western military attack, Bosnia's Serbs have shown that they can be pressured. First, they withdrew their heavy weapons from around Sarajevo rather than receive air strikes by North Atlantic Treaty Organization planes. Hoping to head off a similar ultimatum, they agreed yesterday to the reopening of Tuzla airport in northeastern Bosnia for the delivery of critically needed relief supplies.

Secretary of State Warren Christopher said the agreement showed that "peace is possible" in Bosnia. Bosnian Prime Minister Haris Siladjic said he hoped and prayed that "this is a first step toward peace."

Conscious that many Bosnian peace agreements have been accepted and discarded before, U.S. officials went out of their way to invest yesterday's ceremony with as much pomp and circumstance as possible. Among the luminaries witnessing the signing in the State Department's gilt-and-marble Franklin Room were Secretary Christopher, Defense Secretary William Perry, Joint Chiefs of Staff Chairman John Shalikashvili and a host of diplomats, including a Russian representative.

In his introductory remarks, Mr. Christopher also hinted at some of the broader incentives awaiting the signers, including desperately needed economic reconstruction help from the West, as well as peacekeepers from NATO and the U.S. once a broader agreement is reached with the Serbs.

Croatia, in turn, was offered "a chance to become part of the West," according to a senior U.S. official, including possible membership in the NATO's Partnership for Peace program, as well as future associate status in the European Union. More immediately, Zagreb is expecting the West to back its demands for the return of the one-third of its teritory now occupied by the Serbs.

The 10-page "framework agreement" goes into considerable detail about how political power would be shared between Muslims and Croats at the national, regional and local levels and among the executive, legislative and judicial branches of government.

95

[redacted]

3-7-94

Did not call

Pell and Mathews. [redacted]
Would like a
note sent.
B

[redacted]

THE PRESIDENT HAS SEEN
3-7-94

THE WHITE HOUSE

WASHINGTON

94 MAR 3 A8:50

March 3, 1994

RECOMMENDED TELEPHONE CALL

TO: ~~Senator Harry Reid~~ (D-NV)
— Senator Claiborne Pell (D-RI)
~~Senator Tom Harkin~~ (D-IA)
— Senator Harlan Mathews (D-TN)
~~Senator Kent Conrad~~ (D-ND)

DATE: March 3, 1994

RECOMMENDED BY: Senator George Mitchell through Patrick Griffin

PURPOSE: To thank them for voting to defeat the Balanced Budget Amendment.

BACKGROUND: As you are aware, the Balanced Budget Amendment was defeated by the margin of 37-63, three votes short of the two thirds necessary for passage. These five Senators were in tough political positions and worked with the Leadership in order to oppose the Balanced Budget Amendment.

In particular, Senators Mitchell and Daschle have asked that Senator Reid be singled out for his efforts of in drafting the substitute proposal. You may want to tell Reid that while you do not support a Balanced Budget Amendment, you thought that his proposal was economically responsible because it protected Social Security benefits, distinguished between capital, and was mindful of the implications of a recession.

Senators Harkin, Pell, and Mathews should be be thanked and reminded that their vote for a Balanced Budget Amendment that protects Social Security is extremely defensible. In addition, these Senators' votes provided political cover for other Democratic Senators. The fact that there were 37 votes against the proposal and not 34 will lessen the impact of opponents using this as a campaign issue. In addition, getting 37 votes is critical in ensuring that the proposal does not come back to the Senate.

Senator Conrad is the only Senator on this list who is up for re-election. He was very concerned about acting economically responsible. Please reassure him that this was the right thing to do and that voting for a Balanced Budget Amendment that protects Social Security is extremely defensible.

TOPICS OF DISCUSSION:

1. Thank them for their vote against the Simon-Hatch proposal

2. Acknowledge the political courage it took for them to take this vote.

3. Emphasize your commitment to deficit-reduction and your intention to work with them on this and other issues of importance.

CONTACT PERSON AND TELEPHONE NUMBER(S): WH Operator

DATE OF SUBMISSION: March 3, 1994

ACTION: ______________________________

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

3.7.94

February 25, 1994 94 FEB 28 P8:33

Marcia
Call me
before Puerto Rico
process
B

MEMORANDUM TO THE PRESIDENT

FROM: MARCIA HALE MH

RE: PUERTO RICO

As you know, Puerto Rico held a plebiscite November 14 in which a commonwealth proposal (48%) won a plurality victory over statehood (46%) and independence. The House Insular and International Affairs Subcommittee will hold hearings March 10 on how the Federal Government will respond to the results of the plebiscite. The Administration has been asked to provide someone to testify at this hearing.

Within the framework of the plebiscite, the commonwealth party sought "enhanced commonwealth status" and promised to seek a bilateral pact, or treaty, between the United States and Puerto Rico guaranteeing the Island's permanent union with the U.S. Any Administration testimony needs to address a bilateral pact.

In addition, any testimony will need to respond to four other points included in the commonwealth platform. They are:

1) trade protection for Puerto Rico's agricultural products,

2) a return to pre-1993 Section 936,

3) an increase in SSI for Puerto Rico,

4) Increased funding for NAP at the level of the food stamp program.

I have asked the DPC and NEC for responses to these "enhancements" and for several reasons they have advised against granting any of them. If an Administration witness testifies, and incorporates the recommendations of the DPC and NEC in their testimony, the Commonwealth party will be adversely affected by the testimony -- they know this -- as do the statehooders.

I believe we need to find some middle ground in this contentious debate between the statehood and commonwealth parties. I do not believe a political solution can be fashioned to solve their problem. We need not disadvantage either side, but we need to move this debate toward a resolution that is acceptable to us.

cc VP
Mack
Joan
Bruce

I think we should send a letter to Chairman DeLugo (draft attached) stating that the Administration is setting up an inter-agency task force to make recommendations to the President on the status of Puerto Rico. We will carefully define the role of the task force in economic terms and consult with Congress throughout the process.

If we do this, I should co-chair the task force -- as everyone will want White House involvement. However, I will need someone to co-chair it with me who is capable of doing most of the work. I believe the co-chair should be a Commerce or OMB employee to signify that our intentions are to build a stronger and less dependent Puerto Rican economy.

Another alternative is to place this person in the White House (DPC) --- as was done by the Carter Administration. I assume this is less likely. I have a candidate for either of these two options. This person should be acceptable to both the commonwealthers and the statehooders.

I have held several meetings with Committee staff and have spoken with almost all of the elected officials. I am prepared to brief you on their likely reactions to this proposal, if you would like to discuss this. In the meantime, a shorthand version of their likely reaction follows:

The commonwealthers know that if we testify we will need to provide negative answers to their case of "enhanced commonwealth". What they most want is a process of communication to find ways to explore Puerto Rican economic development. An interagency task force would be more than acceptable to them.

The statehooders will not oppose an interagency task force but would prefer that we testify. The statehooders believe that the commonwealth party overstated their case in the plebiscite and that we will need to confirm that in testimony. Governor Rossello has asked to meet with you to discuss this matter and health care (he testified this week on the Hill). He also intends to announce his alignment with the Democratic Party and assist the efforts of the DGA.

I believe an interagency task force will move the dialogue away from the commonwealth vs. statehood issue and put us in the position to work with both sides on measures that might improve the economic situation of Puerto Rico.

Please let me know if you have any questions.

Are you willing to have an inter-agency task force on this issue?

__________ yes   ______________ no

cc: Mack

DRAFT

Dear Congressman De Lugo,

Your request for Administration testimony before the Insular and International Affairs Subcommittee of the House Natural Resources Committee has led us to examine and seek to form policy in light of the plebiscite held in Puerto Rico last November 14.

Because these issues are complex and relate to many Cabinet Departments, the President has directed me to form an Interagency Task Force to formulate an Administration policy response to these issues.

This task force will be co-chaired by Marcia Hale, Assistant to the President, and Director of Intergovernmental Affairs at the White House and a senior level Commerce Department official. The Task force will include representatives from the above two offices and as well as representatives from the Department of Justice, Health and Human Services, USTR, Education, Agriculture, Housing and Urban Development, Labor, Treasury, and the Department of Interior. Our goal is for the task force to report to the President on their recommendations within six months.

The central focus of the task force will be to enhance Puerto Rico's economy and to bolster its already strong economic ties with the U.S. In light of the ongoing nature of the task force work, we believe it would be inappropriate for an Administration witness to testify at this time.

We will give subcommittee staff regular updates on progress by the task force. In addition, we will seek your advice and input, as well as advice from other members of the committee, on these matters that are of vital interest to you and to the Commonwealth of Puerto Rico.

Sincerely,

Mack McLarty
Chief of Staff

Committee on Natural Resources
George Miller, CHAIRMAN
U.S. House of Representatives
Washington, DC 20515

News

RELEASE: February 15, 1994 CONTACT: Cynthia Rivera
(202) 225-9297

Hearings On U.S. Action on Puerto Rico Commonwealth Proposals

The U.S. House of Representatives Insular and International Affairs Subcommittee will hold hearings March 10th and 24th on how the Federal Government should respond to the results of the political status plebiscite held in Puerto Rico last November, Subcommittee Chairman Ron de Lugo (D-VI) announced today.

A commonwealth proposal won a plurality victory over statehood and independence option in the plebiscite. It included a permanent, mutually agreed upon union with the United States.

The island's commonwealth party also promised to seek:

* job-creating revisions in the federal tax exemption for U.S. companies doing business in U.S. insular areas;
* extension of the federal program providing aid to the needy aged, blind, and disabled;
* funding for the federal program providing food for Puerto Rico's poor at the level of the Food Stamps program; and
* trade protection for Puerto Rico's agricultural products.

De Lugo said that representatives of the islands' commonwealth party, the Clinton Administration, and Puerto Rico's government are being asked to make recommendations at the March 10th hearing on the measures that should now be taken and that others who want to testify will be scheduled for the March 24th hearing.

"Our purpose is to explore how Washington can [illegible] react to the votes of 1.7 million U.S. citizens it is not," he stressed, "to reopen the debate among the status options."

(H. Conc. R. 24)

Passed by Puerto Rico Legislature this week.

CONCURRENT RESOLUTION

To request, on behalf of the People of Puerto Rico, that the One Hundred and Third Congress of the United States, promptly express itself on the redefinition of the political formula of Commonwealth, as submitted to the voters in the Plebiscite on Political Status held on November 4, 1993.

STATEMENT OF MOTIVES

Puerto Rico began its constitutional life upon the passage of Public Law 600 of July 3, 1950. Ratification of this Federal statute, which is the foundation of the Commonwealth, was attained through a referendum held on June 4, 1951. Some 506,185 voters participated in said process, that is, 65.08 percent of the total of voters registered in Puerto Rico at that time. PL 600 received 387,016 votes for and 119,169 against, a proportion of 76.5 percent and 23.5 percent, respectively.

On July 23, 1967, sixteen years after the ratification of PL 600, a Plebiscite was held in Puerto Rico so that the People could express their preference as to three status options: Statehood, Independence and a Commonwealth with extended, through unspecified, powers. In this Plebiscite 702,601 electors voted to express the following preferences: 425,081 or 60.5 percent for the Commonwealth: 273,315 of 38.9 percent for Statehood; and 4,205 or 0.5 percent for Independence. Supported by this majority, the advocates of Commonwealth took the pertinent steps, between the years 1973 and 1976, to extend its powers, but without success.

On November 14, 1993, twenty-six years after the Plebiscite of 1967, a second plebiscite was held, based on the legitimate aspirations and the inalienable right of the People to choose a status of full political dignity with no colonial or territorial subordination to the plenary power of Congress. The Act which authorized this Plebiscite provided that each of the participating political parties would have full freedom to draft a definition of the principles and scope of their respective status formulas. From this flexible and liberal basis, the three definitions were submitted to the voters.

The results of the vote were as follows: 825,181 votes, or 48.7 percent for the Commonwealth; 787,612 votes, or 46.5 percent for Statehood; and 75,512 votes, or 4.5 percent for Independence.

In effect, in the Plebiscite held on November 14, 1993, for the first time Commonwealth was the preference of less than fifty percent of the electorate. However, the results of this process did show a plurality of votes in favor of said political status, as formally defined and submitted by the Popular Democratic Party, its principal advocate.

The official definition of Commonwealth formulated by the pro-Commonwealth leaders for the plebiscite foresees a relationship between Puerto Rico and the United States based on a bilateral compact of permanent union. This could be altered only if both parties consent to it.

Furthermore, on the basis of the definition of Commonwealth they drafted and submitted to the electors in the Plebiscite of last November 14, the advocates of this status also claim for urgent action from Congress to develop their formula. They specifically request: the reformulation of Section 936 of the Federal Internal Revenue Code: the extension of the Supplemental Security Income program to Puerto Rico; equality as a State for the Commonwealth of Puerto Rico in federal appropriations under the Nutritional Assistance Program (Food Stamps) and that the local Government be granted powers to protect Puerto Rican agricultural products from competing imports. According to this same definition, all these claims would be made to Congress without prejudice to the fiscal autonomy by which the Commonwealth has been excluded from the burdens of responsibilities under the Federal tax system.

The preference expressed by the People in the Plebiscite of 1993 for this redefinition of the Commonwealth requires, in order to become a reality, substantial amendments to the Puerto Rican Federal Relations Act. Because this Act is a federal statute, and because the United States has jurisdiction over any matter which alters and modifies the political status of Puerto Rico, it is the duty of the U. S. Congress to evaluate the results of the claims of the advocates of the Commonwealth.

Prompt Congressional action to that effect would allow the People of Puerto Rico to clearly define what their real and true options are for politics, economic and social development. Now it is up to the One Hundred and Third U. S. Congress to express itself regarding this petition of the American citizens of Puerto Rico.

Be it Resolved by the Legislative Assembly of Puerto Rico:

Section 1.–Pursuant to the right to petition, guaranteed by the First Amendment of the Constitution of the United States, it is requested, on behalf and in representation of the People of Puerto Rico, that the One Hundred and Third Congress of the United States of America express itself concerning the principles which define the Commonwealth formula, as submitted to the People of Puerto Rico in the Plebiscite held on November 14, 1993.

Section 2.–The principles and elements referred to in the preceding Section are those contained in the official definition Commonwealth put forth before the voters participating in the Plebiscite. Said definition reads as follows:

"DEFINITION OF COMMONWEALTH

A vote for the Commonwealth is a mandate for:

Guaranteeing, for ourselves and for our children, progress and security in a status of full political dignity based upon the permanent union of Puerto Rico and the United States, as set forth in a bilateral compact that may not be altered except by mutual consent.

The Commonwealth guarantees us:

* Irrevocable U. S. citizenship;
* A common market, common currency and common defense with the United States;
* Fiscal autonomy for Puerto Rico;

* A separate Puerto Rican Olympic Committee and international sports representation;
* Full development of our cultural identity; under the Commonwealth we are Puerto Rican, first and foremost.

WE SHALL DEVELOP THE COMMONWEALTH THROUGH SPECIFIC PROPOSALS TO CONGRESS. AS IMMEDIATE MEASURES, WE WILL PROPOSE:

* A reformulation of Section 936 to assure the creation of more and better jobs;
* Extension of the Supplemental Security Income program to Puerto Rico;
* To obtain Nutritional Assistance Program (Food Stamps) appropriations equal to those of a State;
* Protection for our other agricultural products, besides coffee.

Any further changes shall be submitted to the People of Puerto Rico for their prior approval."

Section 3.–We request of the Congress of the United States that any changes to the political relationship between Puerto Rico and the United States resulting from this process shall be submitted for its ratification by the majority of the voters of Puerto Rico.

Section 4.–A copy of this Concurrent Resolution shall be delivered, duly translated into the English language, to all members of the United States Congress, to the President of the United States, and to the Secretary General of the United Nations Organization.

Section 5.–The Speaker of the House of Representatives and the President of the Senate are hereby authorized to appoint a special joint committee of legislators from the three political parties for the sole purpose of personally delivering this Concurrent Resolution to the Leaders of the Senate of the United States; the Speaker of the House of Representatives of the United States as well as to the Leaders of the Congressional minority delegations.

Section 6.–This Concurrent Resolution shall take effect immediately after its approval.

The San Juan Star — Friday, February 25, 1994

LOCAL NEWS

Rosselló confirms he will join Democratic governors' group

By ROBERT FRIEDMAN
STAR Washington Bureau

WASHINGTON — Gov. Rosselló moved a step closer to officially becoming a Democrat by confirming Thursday that he has asked to become a member of the Democratic Governors Association.

Rosselló said he told Indiana Gov. Evan Bayh, who heads the association, that he is "interested in participating as a Democrat" in the organization. The two met last week in Indianapolis, Ind.

"I'm in the process of affiliating formally with the Democratic Party," said the governor after testifying before the Senate Finance Committee on the island's health care reform.

He said he was "working out" the official affiliation. "There won't be a ceremony or anything," the governor joked. "We're just establishing a working arrangement."

The governor's Democratic affiliation could help the Rosselló administration push its candidates for federal positions. Currently, there is a stalemate over federal appointments for Puerto Rico. The opposition Popular Democratic Party, whose outgoing president Sen. Miguel Hernández Agosto heads the island Democratic Party, is pushing its own candidates.

But Rosselló insisted Thursday that his official move to the Democrats is not spurred by federal appointments. He said his political philosophy is more in keeping with the Democrats. Rosselló has made strong efforts as governor to tie in many island programs with those of the Clinton administration.

The governor noted he started out in politics as a Democrat and was a Democratic National Convention delegate in 1988. He said he declared neutrality in national politics after his election because of the upcoming status plebiscite, for which support was needed from both Democrats and Republicans. Since the plebiscite was held last November, he no longer needs to main that neutrality, Rosselló said.

AP Photostream

Gov. Rosselló tells the Senate Finance Committee Thursday that subsidies are needed to help small businesses with health care costs. Rosselló also said later that he was asking for membership in the Democratic Governors Association, a move expected to help his candidates for federal appointments.

He said his support of George Bush for re-election in 1992 was based on that Bush was a strong supporter or statehood for Puerto Rico.

"The reality in Puerto Rico is that the overwhelming decision ... of who we support for president is based on a candidate's support for statehood," said the governor.

[illegible] nor denied a report that the White House requested he stay clear this weekend of a visit to the island by former President Bush, a Republican.

"I don't even know if the White House knows that Bush is going to Puerto Rico," the governor said, adding: "Sometimes we get carried aw[illegible]

Memorandum

Subject	Date
Territory Clause and Puerto Rico	February 24, 1994

To	From
Walter Dellinger Assistant Attorney General Office of Legal Counsel	Robert Delahunty RJD Special Counsel

You have asked for advice on the questions (1) whether Congress may remove Puerto Rico from its jurisdiction under the Territory Clause, U.S. Const. art. IV, § 3, cl.2,[1] and (2) whether a bilateral pact, or treaty, between the United States and Puerto Rico could be created to guarantee Puerto Rico's permanent union with the United States and to ensure irrevocable United states citizenship for its inhabitants. Neither appears to be possible. So long as Puerto Rico does not become either a State of the Union or an independent nation, it must remain a territory in the constitutional sense. Moreover, even if the United States and Puerto Rico entered into a bilateral pact, any such arrangement could apparently be revoked by a later treaty or Act of Congress.

1. "Puerto Rico has a unique status in our federal system." Puerto Rico Dep't of Consumer Affairs v. Isla Petroleum Corp., 485 U.S. 495, 499 (1988). Under the Puerto Rico Federal Relations Act, Pub. L. 600 (81st Cong. 2d Sess. 1950), 64 Stat. 319, 48 U.S.C. § 731b-e, an act "in the nature of a compact," Congress provided the people of Puerto Rico with the opportunity to "organize a government pursuant to a constitution of their own adoption." P.L. 600 was "designed to complete the full measure of local self-government in the island." S. Rep. No. 1779, 81st Cong. 2d Sess. at 2 (1950); see also Examining Board of Engineers, Architects and Surveyors v. Flores de Otero, 426 U.S. 572, 594 (1976) ("the purpose of Congress in the 1950 and 1953 legislation was to accord to Puerto Rico the degree of autonomy

[1] "The Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States . . . ."

and independence normally associated with States of the Union").[2] A constitution was thereafter adopted by the voters of Puerto Rico and presented to the President and Congress for approval. After being amended by Congress, the constitution was enacted into law and was again adopted by Puerto Rico. Under these arrangements, Puerto Rico became a commonwealth. As the legislative histories of P.L. 600 and of the Puerto Rican constitution make abundantly clear, however, neither Congress nor the authorities in Puerto Rico intended that Puerto Rico would cease to be a territory of the United States in the constitutional sense.[3]

The Supreme Court has affirmed that, even after the enactment of P.L. 600, Congress continues to have the power under the Territory Clause to treat Puerto Rico differently from a State, and its residents differently from residents of a State. In Califano v. Torres, 435 U.S. 1 (1978) (per curiam), the Court held that persons who moved to Puerto Rico could be excluded from the benefits of the Supplemental Security Income to which they had been entitled while living in the United States. The Court observed that "Congress has the power to treat Puerto Rico differently, and . . . every federal program does not have to be extended to it." Id. at 3, n.4. Again, in Harris v. Rosario, 446 U.S. 651 (1980) (per curiam), the Court sustained a level of assistance for Puerto Rico under the Aid to Families with Dependent Children program lower than that the States received. It stated even more emphatically than it had in Torres that "Congress, which is empowered under the Territory Clause of the Constitution, U.S. Const., Art. IV, § 3, cl. 2, to 'make all needful Rules and Regulations respecting the Territory . . . belonging to the United States,' may treat Puerto Rico differently from States so long as there is a rational basis for its actions." 446 U.S. at 651-52.

Accordingly, although Puerto Rico's status in relation to the United States is "unique," it remains a territory in the constitutional sense. Moreover, there is no provision of the Constitution under which Puerto Rico could cease to be under Congress's Territory Clause jurisdiction, unless it were either admitted into the Union as a State, U.S. Const. art. IV, § 3, or became an independent nation (as, e.g., the Republic of the Philippines has done).

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[2] Significantly, the Court did not say that Puerto Rico was "sovereign" in the sense that a State is.

[3] See United States v. Lopez Andino, 831 F.2d 1164, 1173-75 (1st Cir. 1987) (Torruella, J., concurring) (discussing legislative history and citing cases finding that Congress did not intend to alter Puerto Rico's territorial status).

2. It does not appear to lie within the power of Congress to adopt legislation (or within the power of the Senate to confirm a treaty) that would guarantee Puerto Rico's permanent union with the United States (unless, of course, Puerto Rico were admitted as a State). In general, an Act of Congress cannot bind future Congresses, at least if the prior Act did not create vested rights in property.[4] Nor does it appear that there can be a treaty that the federal Government cannot revoke.

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[4] See Glidden Co. v. Zdanok, 370 U.S. 530, 534 (1962) (opinion of Harlan, J.); Manigault v. Springs, 199 U.S. 473, 487 (1905); cf. Chippewa Indians of Minnesota v. United States, 88 Ct. Cl. 1, 35-36 (1938), aff'd, 307 U.S. 1 (1939).

THE WHITE HOUSE

WASHINGTON

March 5, 1994

The Honorable Bernard W. Nussbaum
Counsel to the President
The White House
Washington, D.C. 20500

Dear Bernie:

With deep regret, I accept your decision to resign as Counsel to the President. Your friendship and advice have meant a great deal to me over the years.

During your tenure, this Administration named the highest percentage of women and minorities to the Federal Judiciary in history, while meeting, in a vast number of cases, the highest standards set by the American Bar Association. These Judges and Justice will leave a lasting imprint on our case law, and their places on the federal bench will be clear and abiding signs of encouragement to those long excluded from administering our system of justice. Those serving, and those who can now dream of being considered, owe you a great debt of gratitude.

You played an especially significant role in the selections of Attorney General Janet Reno, FBI Director Louis Freeh, and Associate Justice Ruth Bader Ginsburg -- people who will make our streets safer and our society more just for years to come. They are pioneers, and yours was the lamp that lit their way.

It has been said that the best a man can give is his living spirit to a service that is not easy. And we have worked together in Washington at a time when serving is hard. But you gave this Administration one of its liveliest spirits and keenest minds, along with your special reverence for duty and friendship. For these contributions, I will be forever grateful; for your accomplishments, I hope you will be forever proud.

Sincerely,

Bill Clinton

THE WHITE HOUSE

WASHINGTON

March 5, 1994

Dear Mr. President:

It has been a great honor and privilege to serve you as Counsel to the President. I am proud of the accomplishments of this Administration and those that I know will be achieved in the months and years to come. I am also proud of the many contributions my office has made to the wide array of policy initiatives of your Administration.

It was also an honor to have assisted in your choice of Janet Reno to be Attorney General of the United States, Louis J. Freeh to be the Director of the Federal Bureau of Investigation, and Ruth Bader Ginsburg to sit on the Supreme Court of the United States. I am particularly proud of assisting in your selection of more than 60 men and women of the most distinguished and diverse backgrounds ever to serve on the federal bench.

As I know you know, from the day I became Counsel, my sole objective was to serve you as well and as effectively as I could, consistent with the rules of law, standards of ethics, and the highest traditions of the Bar. At all times I have conducted the Office of the White House Counsel and performed the duties of Counsel to the President in an absolutely legal and ethical manner. Unfortunately, as a result of controversy generated by those who do not understand, nor wish to understand the role and obligations of a lawyer, even one acting as White House Counsel, I now believe I can best serve you by returning to private life. With this letter I am therefore tendering my resignation. It will be effective April 5, 1994, to assist you in arranging for an orderly transition in the Counsel's office.

I will always value your friendship and that of the First Lady, and will always be grateful for the opportunity you gave me to serve. I wish you both the very best.

Very respectfully,

Bernard W. Nussbaum
Counsel to the President

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

THE PRESIDENT HAS SEEN 3/7

THE WHITE HOUSE

WASHINGTON

March 4, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Summary of Weekly Cabinet Reports
March 4, 1994 through March 11, 1994

CABINET-WIDE ACTIVITY

ADMINISTRATION CRIME INITIATIVE

The Cabinet continues to develop joint policy initiatives as part of the Administration crime initiative.

Next week, we expect several Cabinet Members to announce a joint crime prevention initiative. Secretary Reich has coordinated with other Departments and the Domestic Policy Council to produce a legislative initiative that includes funds for jobs in high crime areas and funds to keep schools open late. The overall prevention effort that will be announced will include this legislation as well as youth initiatives the Departments have already put together. In addition, next week the Department of Justice plans to announce the Administration's anti-child pornography legislative initiative.

This past week, Vice President Gore, Attorney General Reno and senior enforcement officials announced a comprehensive anti-violence initiative directing each U.S. Attorney to put together a working group of federal, state and local officials to better target resources, and targeting a variety of resources to fighting gang violence. Also this past week, Secretary Bentsen announced a ban on two types of firearms.

PERSIAN GULF SYNDROME

The Institute of Medicine's Committee to Review Health Consequences of Service During the Persian Gulf War met for the first time this week. The Committee was set up jointly by the Departments of Defense and Veterans Affairs to coordinate research efforts. This week the committee heard from veterans and health experts and received significant media coverage in regional newspapers.

** ** **

DEPARTMENT SUMMARIES

Department of the Treasury

- **Pastors for Peace:** On Wednesday, March 9, the Pastors for Peace are scheduled to attempt to violate the Cuban embargo at the Laredo, Texas border station by exporting supplies through Mexico to Cuba. Treasury's Office of Foreign Assets Control has informed the group that humanitarian donations to Cuba which were licensed during their last protest will again be allowed across the border, however, the group also plans to export up to ten busses. Last summer, Pastors for Peace attempted to export a bus and humanitarian supplies to Cuba without first applying for the proper licenses. When stopped by Customs authorities, 14 group members staged a three-week sit-in. The Customs Service resolved the issue by licensing those goods allowable for export without requiring the group to apply for the licenses.

- **Earned Income Tax Credit (EITC) Promotion:** Treasury is spearheading an effort to promote the use of the EITC throughout the nation. The first prong of the Campaign involves promoting the EITC to federal employees. As many as 400,000 federal employees are potentially eligible for the EITC. You will participate in a White House event to promote the tax credit to federal workers on Wednesday, March 9 with Secretary Bentsen and other Members of the Cabinet.

Department of Commerce

- **National Competitiveness Act (S.4):** Key to the Administration's civilian technology agenda, the Senate is expected to debate S.4 next week. The legislation reflects the Administration's view that technology is the force that will stimulate and sustain long-term economic growth and will advance Commerce technology programs such as the Advance Technology Program (ATP) and other key public-private sector initiatives. Opponents are likely to say that the legislation is industrial policy.

- **Commercial Sensing Policy:** Commerce will roll out the Administration's new commercial remote sensing policy. The policy will create a new and untapped commercial industry supporting technology-based job growth.

Department of Labor

- **Re-Employment Act Introduction:** After nearly a year of preparation, Labor will publicly announce re-employment legislation. The proposal will consolidate all services now available at the state and federal levels and will turn the focus from short term solutions to longer term assistance for all unemployed individuals. The one-stop shops will be user friendly and will provide a full-range of services including, career counseling, job banks, and educational opportunities.

- **Job Corps:** On Friday, March 11, Labor is expected to announce the selection of nine new Job Corps sites. Twenty-five sites have made it to the final round. The site selection is the result of a highly competitive process and has been the source of intense Congressional interest.

Department of Transportation

- **Advanced Automation System (AAS) Program:** Secretary Pena is working aggressively to promote the AAS program, the centerpiece of the FAA's modernization efforts. Since its inception in the early 80's, the program has been plagued with management and other problems. In a press conference March 2, the FAA Administrator said that without significant changes, the programs could be more than $2 billion over budget. The changes include: replacement of senior management overseeing the program; bottom-up re-evaluation of the program to determine how best to proceed; and immediate steps to renegotiate the contract for the program.

Department of Justice

- **Child Pornography:** By the end of next week, Justice expects to announce the Administration's anti-child pornography legislative initiative. It is still being drafted but is expected to include: more prosecutors and investigators, more severe penalties, regulations regarding electronic transmission of images, and changes that will enable a new decision on the Knox case.

- **Civil Rights Head:** On Thursday, March 10, the Senate Judiciary Committee will hold a hearing on the nomination of Deval Patrick to be the Assistant Attorney General for Civil Rights.

- **Sexual Harassment Complaints at DEA:** On Tuesday, March 8, the House Post Office Subcommittee on Oversight and Investigations will hold a hearing regarding Drug Enforcement Administration procedures and practices in investigating complaints of sexual harassment. Witnesses include two DEA agents and a DEA chemist.

Department of Health and Human Services

- **Blue Cross/Blue Shield of Michigan (BCBSM):** HHS will make a final decision today on whether to refuse to renew BCBSM's contract. This likely action is a response to a recent Department of Justice investigation which demonstrates that BCBSM falsified reports of hospital cost audits under the Medicare program. This behavior is the latest piece in a persistent pattern of questionable activities. This week, HCFA met with BCBSM, the Michigan Congressional delegation, the United Auto Workers and local officials in anticipation of the termination of the contract.

- **Waivers:** HHS expects to make a decision regarding the South Dakota welfare reform waiver request by the end of next week. This project would time-limit AFDC benefits by assigning adult recipients to either a 24 month employment track or a 60 month employment track. After the time limit, recipients would participate in approved volunteer service activities or have their benefits cut off.

- **Medicare Payments Up 8.7%:** Next week, the Health Care Financing Administration will announce that Medicare payments for health care services in FY'93 were up 8.7% from the per capita rates in 1992. This growth rate is down from the 11.5% jump between FY'91 and FY'92. Some of this year's increase is due to a 1.7% increase in the Medicare population in 1993.

- **Teen Sex Survey:** On Monday, March 7, the National Institute of Child Health and Human Development will start a major study on adolescent health, a study referred to in years past as the "Teen Sex Survey." A team of scientists oversees the five year statutorily mandated study, which covers sex as one of many subjects. Changes have been made in the survey since the last Administration charged that the questions were too provocative.

Department of Housing and Urban Development

- **Interagency Task Force on Fair Lending:** On Tuesday, March 8, Secretary Cisneros will convene the first meeting of this task force, along with Attorney General Reno and Comptroller of the Currency Ludwig. The Task Force is comprised of 10 agencies and will strengthen the Administration's focus on fair lending and community reinvestment. At the first meeting, the members will discuss the Joint Policy Statement on Lending Discrimination. This document will represent the first time that bank regulators and civil rights enforcement has spoken with a single voice on this issue.

Office of National Drug Control Policy

- **Crop Substitution:** This past week, Dr. Brown released a report on the Andean Crop Substitution program. His report showed that this program to offer economic inducements to Andean farmers to switch from growing coca plants to growing other crops has had disappointing results.

Department of Education

- **ESEA Reauthorization**: Education expects a House floor vote by the middle of next week.

- **PTA Speech:** On Monday, March 7, Secretary Riley will address the national conference of the PTA.

Department of the Interior

- **Grazing:** Interior is now in consultation with selected Members of Congress over the details of the some of the rules. Next week, the Department will make two announcements (regional standards/guidelines and water quality) which will stress changes which have been made following lengthy discussions with Westerners. Secretary Babbitt met with Stan Greenberg to discuss the announcements and other Western issues.

- **Earth Day:** Earth Day is April 22. Secretary Babbitt is working on a proposal for you to commemorate the day in a national park. A separate memo outlining the options will be sent to you shortly. A summary of the options is in Secretary Babbitt's weekly report to Mack McLarty.

Department of Agriculture

- **Mississippi Ice Storm**: After visiting the damage himself this week, Secretary Espy dispatched Wally Beyer, head of the Rural Electrification Administration, to storm-damaged areas in Mississippi and Tennessee to assess efforts to date in restoring power to home and businesses in rural areas. The Department of Energy has provided funds and also has staff on site to assist in these efforts.

  You have declared major disasters in Mississippi, Alabama, Louisiana, Arkansas and Tennessee in the last two weeks. Secretary Espy has visited Mississippi and Director Witt is planning to visit several states in the region. In Mississippi, some press attention focussed on the fact that electric power was down for several weeks in some areas. Also in Mississippi, there was some criticism that the federal government did not respond with the same show of force as it did in California. The White House is working closely with FEMA to ensure that the federal response to each of these disasters is appropriate and effective.

- **Colorado Waiver:** On February 25, USDA approved Colorado's request for Food Stamp waivers under the Colorado Personal Responsibility and Employment Program (CPREP) demonstration project. CPREP will require active participation by clients in education, skills training, preventive health care and employment opportunities. Under the demonstration project, the food stamp allotment will be cashed-out and consolidated with the AFDC grant and childcare benefits. CPREP benefits will be time-limited for employable adult AFDC recipients who are not employed at least 30 hours per week or actively participating in the JOBS program two years after entering the demonstration. This project will operate in five counties over a five-year period.

- **Tyson Foods:** The Wall Street Journal is preparing a story alleging that the Administration has shown bias towards the poultry industry because of personal ties to Tyson Foods. The story will run in the next few days. Mack McLarty's office is aware of the story and has been in contact with the USDA press department.

- **Bovine Growth Hormone:** ABC News is preparing a story on rBST, its impact on the USDA dairy price support subsidy program and whether support for rBST will translate into increased taxes for all Americans.

Department of Energy

- **Superconducting Super Collider**: Last week, Energy entered into an Agreement in Principle with the state of Texas which details a process to resolve all outstanding issues associated with the orderly termination of the SSC. Included in the agreement are: 1) a process to develop proposals for follow-on projects at the site and potential future uses of the site's assets; 2) an agreement that DOE will maintain and support a core of scientists at the site to evaluate and implement the proposals; and, 3) a process to determine the value of the physical assets at the site. Press coverage of the agreement was very positive although Congressional opponents of the project reacted negatively to the agreement.

Environmental Protection Agency

- **California Smog Check:** On Monday, March 7, a conference committee of the California State Legislature may agree on a compromise bill that would enable California to test ways to reduce the number of cars that would be subject to a new smog check program. Passage of the bill would generate positive momentum toward a solution to EPA's smog check discussions in California. Staff level and technical level meetings between EPA and the state have been going well and Administrator Browner is hopeful that an overall agreement will be reached shortly.

Department of State

- **North Korea:** Events are unfolding as "scheduled' with the North Koreans but substantial progress must still be achieved before victory can be declared. IAEA inspectors arrived in Pyongyang March 1. North and South Korean negotiators met March 3, but made no progress on arranging special envoys. They meet again March 9. The North raised four obstacles - including the deployment of Patriot missiles - which they insisted be resolved before envoys were agreed to. While South Korean officials were disappointed at North Korea's uncooperative stance, State views this week's events as an important beginning.

- **South Africa:** A successful March 1 Mandela/Buthelezi meeting set the stage for a productive dialogue between the two parties who continue to wrestle with tough constitutional issues and the question of violence. Most encouraging is the possibility that Buthelezi may reverse course and encourage his party to register to participate in the elections.

- **Asia and Russia Trip:** Secretary Christopher has added a meeting with Russian Foreign Minister Kozyrev in Vladivostok to his Asia trip. While in Japan Secretary Christopher will deliver a major speech to Japanese business executives and will attend an international aid conference for Cambodia.

United Nations

- **Bosnia:** The French resolution on Bosnia, which provides for international administration of utilities in Sarajevo, has been revived and will probably come to a vote in the next few days. No other specific Council action on Bosnia is on the horizon, until a decision is made regarding follow-up on recent events on the ground and the Washington agreement. We assume that unless the Croats violate the Washington agreement, the non-aligned resolution which would impose sanctions on Zagred is dead.

- **Hebron Massacre:** If, by the end of this week, the UN is unable to adopt a resolution, which is still held up by the reference to Jerusalem, pressure will grow in the Council for France or the Arab Group to propose a text. The French, British and Egyptians have all been exploring the option of France or the Arab Group putting forward our resolution so the PLO could acquiesce. The USUN and the PLO have argued against such an approach.

Department of Defense

- **Bosnia:** Admiral Boorda continues the intensive reconnaissance missions supporting the No Fly Zone and consolidation of the Sarajevo exclusion zone. DoD also provided the UN with a proposed lease agreement for a package of three Counter Mortar and two Counter Artillery radar systems for UN forces in Bosnia.

- **Somalia:** U.S. military forces continue to withdraw from Somalia according to schedule. 6,758 U.S. troops remain in-country or in contiguous waters (3,316 ashore and 3,442 afloat). U.S. Mobile Training Teams continue training Pakistani forces on the M-60 tank and begin Cobra helicopter training this week.

- **Partnership for Peace:** NATO work on implementation of PFP stagnated due to the French proposed Terms of Reference that would fundamentally change the character of current procedures. General Shalikashvili will discuss the issue with his French counterpart.

- **UN Peacekeeping Assessments:** U.S. arrears to the UN will top $1 billion by the end of FY'94. DoD projects a serious problem in August when the UN runs out of regular operating funds. DoD feels we need to mount a determined effort to build Congressional support for the Administration's peacekeeping policy.

- **Philadelphia Shipyard Supreme Court Case:** Senator Specter argued before the Supreme Court on the 1991 BRAC decision to close Philadelphia Naval Shipyard. Defense now awaits the decision of the Court. Significant work continues through next year as the aircraft carrier USS Kennedy is in for a major overhaul.

- **Additional Funding for D.C. National Guard:** Based on Secretary Perry's February 12 decision to authorize $871 thousand of counter drug funds to the District of Columbia National Guard, the Guard is preparing to increase their support to the Metropolitan Police Department's drug interdiction efforts to combat drug related crime.

United States Trade Representative

- **Japan:** Following your announcement of the reinstatement of Super 301, USTR will begin the process of identifying those priority foreign country practices whose elimination will have the greatest potential for the expansion of U.S. exports.

- **GATT:** Next week, Ambassador Kantor will meet with representatives of General Electric and the International Union of Electrical Workers to discuss future initiatives on governmental procurement with countries that are not members of the GATT Government Procurement Code.

- **Latin America:** As a result of significant progress by Brazil, USTR announced the termination of the Special 301 investigation of Brazil's practices in the area of intellectual property rights and the revocation of Brazil's identification as a Priority Foreign Country under the provisions of the 1974 Trade Act.

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U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MAR 1 1994

94 MAR 4 A10 : 30

MEMORANDUM FOR THE PRESIDENT

Looks good

announcement scheduled for Wednesday. 3/9/94

FROM: Robert B. Reich RBR

THROUGH: Robert Rubin

SUBJECT: The Reemployment Act of 1994

We are in the final stages of preparing the Administration's Reemployment Act proposal. This memo brings you up to date on the state of the proposal, plans for introduction, and some remaining issues you should be aware of.

The Proposal

The Re-Employment Act will have these key features:

1. Consolidation and coordination. The Act consolidates all six existing "categorical" adjustment programs (for dislocations due to trade, defense conversion, etc.) into a new, comprehensive program for all displaced workers. It also lets States opt into a broader plan for coordinating the delivery of JTPA Title II, veterans' training, Senior Community Service Employment, and other workforce programs.

2. Reemployment services. Services for dislocated workers include: (a) early outreach, to deliver help quickly; (b) basic readjustment services, including information on jobs, job search assistance, and career counseling; (c) long-term training--with income support--to those who need and want it; and (d) a single point of contact for career counseling, information on jobs and training programs, UI claims processing, and other services.

3. Job information. The Act also establishes a national labor market information system to improve and knit together various job data systems. An integrated, computer-based network will deliver information on current job openings, trends in job opportunities, profiles of local employers, job qualification requirements, and--importantly--the performance of training program managers and service providers.

4. Serious retraining and support. Most dislocated workers need only counseling and information to get new jobs. For those who do need retraining, short-term programs are seldom enough. The Act provides access to longer-term retraining, and financial support to let workers complete serious programs. Workers can get training grants worth up to $4,750 per year, for up to two years. Once the system is fully implemented, most dislocated workers enrolled in long-term training will receive income support if they have at least 1 year of tenure with their previous employer. (During the FY 1995 - FY 1999 transition, income support for those with less than 3 years of job tenure will depend on discretionary, not mandatory funding. Beginning in Fiscal Year 2000, the FUTA 0.2 offset will be used to fund all income support on the mandatory side.) Income-contingent loans play a key role in making training possible for workers who need especially long-term training, or who aren't eligible for sufficient income support.

5. One-stop. The bill requires States to coordinate services for dislocated workers through career centers. It allows States to compete for funds to develop a more ambitious network of one-stop career centers to serve anyone who needs help getting a better job--not just dislocated workers--and to coordinate the delivery of a wide range of employment and training programs, including programs for welfare recipients. About six States can win one-stop implementation grants in the first year; all fifty States will have the opportunity to implement the one-stop system over the next five years.

6. More accountability. State-level "customer service compacts" and performance standards (for program operators, career centers, and service providers) will improve accountability for dislocated-worker programs in all States. As States opt to build universal one-stop systems, they commit to more rigorous reforms:

▪A State Human Resource Investment Council, optional under current law, will be required.

▪Local "Workforce Investment Boards"--appointed by local elected officials--will oversee the one-stop career centers, and serve as the "board of directors" for all local workforce programs. The Boards cannot operate programs themselves. Business representatives, limited to CEO's, plant managers, and business owners, must form the majority; labor, public officials, community and education leaders are also represented. (A JTPA Private Industry Council may become a Workforce Investment Board, but only if it meets the Act's more stringent criteria.)

▪One-stop career centers may be run by a consortium of organizations, centered on the Employment Service, the State UI agency, and agencies administering JTPA Title II and the Reemployment Act's dislocated worker program.

▪Alternatively, Governors and local officials can opt for a more competitive approach, consistent with the National Performance Review's recommendations. Under this option the Employment Service, but also other organizations (including dislocated worker center operators, JTPA programs, community colleges, and private for-profits and non-profits) are chartered to run one-stop career centers.

▪Under either option, one-stop career centers will be required to meet customer-oriented performance measures, and will be evaluated each year.

7. Implementation phase-in. Your FY 1995 budget includes $1.465 billion for dislocated workers--an increase of nearly one-third over the FY 1994 base of $1.118 billion. It also includes $250 million for the first round of grants to States ready to build one-stop career center systems to serve all workers. When fully implemented (in FY 2000) the system will serve 1.3 million dislocated workers yearly--the entire population we expect to need reemployment services--at an annual cost of $3.4 billion. The phase-in schedule is summarized on the attached chart.

Introduction Strategy

The goal is enactment of the Reemployment Act of 1994 before the end of this session of Congress. To raise the odds of rapid passage, we have conducted extensive advance discussions with major stakeholders. We are working simultaneously with four authorizing Committees, while crafting a stakeholder coalition. Both House Ways and Means and Senate Labor and Human Resources prefer a two-bill approach, separating out the income support component. The elements of the Act would move through committee in tandem, and could be rejoined on the floor.

Reaching a common position on the major provisions of the proposal will let us present the legislation as a consensus bill in early March. We are seeking your participation in an "introduction-day" event with Congressional sponsors, labor and business leaders and selected Governors and Mayors, to occur within the next two weeks.

We are aiming first for passage in the House. Education and Labor Committee Chairman Bill Ford has agreed to introduce the bill, supported by Subcommittee Chairman Pat Williams. Chairman Rostenkowski will work with us on the bill providing income support on the mandatory side of the budget. Senators Kennedy and Metzenbaum will take the lead in the Senate. We are working with Senators Bradley and Rockefeller to move the Act through the Finance Committee. (Senator Bradley will be a sponsor.)

Issues to note

You should be aware of certain issues, and the shape the debate is likely to take:

▪Consolidation: While the Act immediately consolidates six programs, and builds a framework for further consolidation, some critics will dismiss it as too timid a step towards streamlining. Labor groups, on the other hand, may press to keep Trade Adjustment Assistance out of the Reemployment Act.

▪Competition: The Act stops short of the National Performance Review's recommendations for competition among alternative suppliers of reemployment services--States may choose between a competitive or a "consortium" approach, and the Employment Service retains advantages under either option. Yet some labor groups still feel it goes too far in threatening the franchise of the Employment Service.

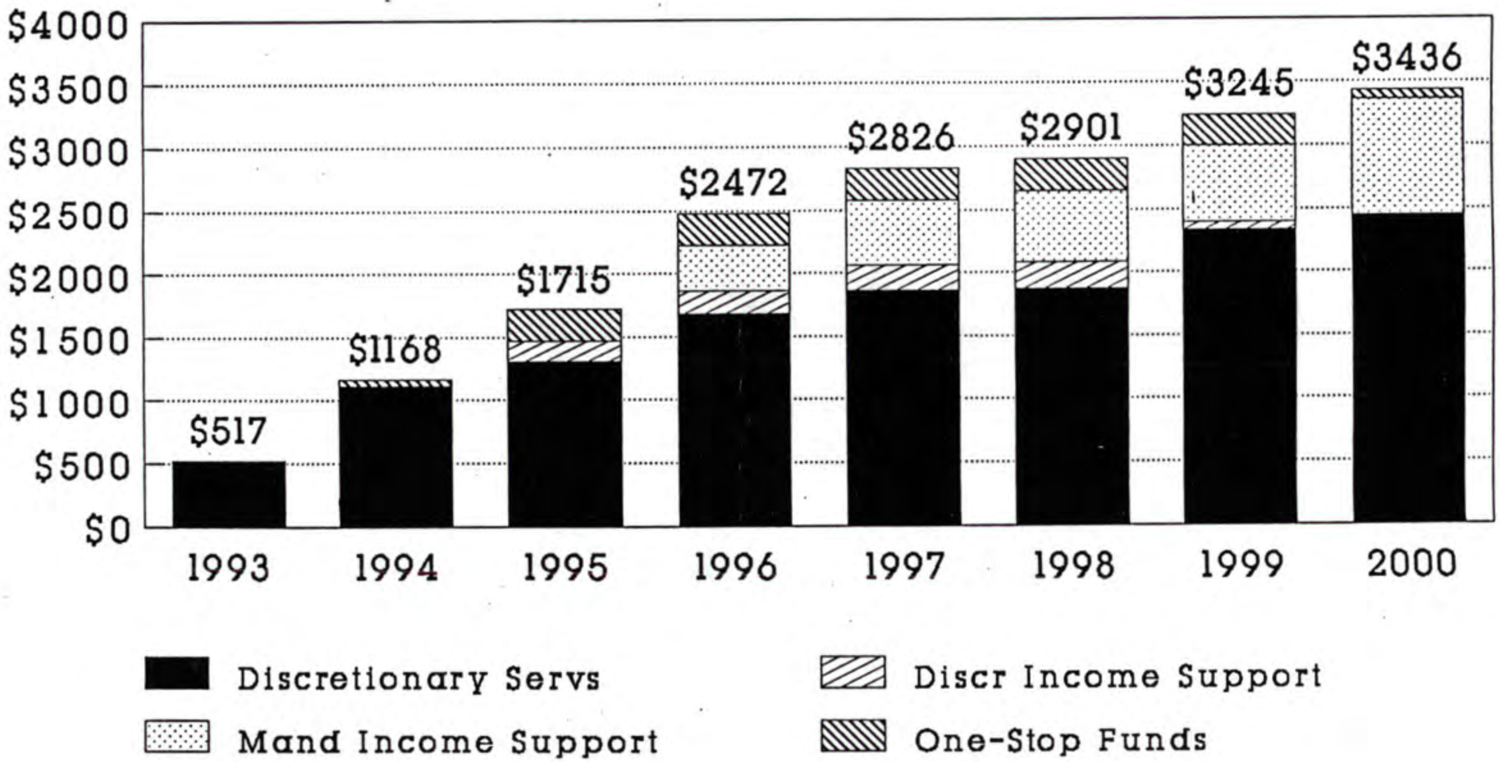
▪Displaced Homemakers: Advocates (including some key Hill staffers) have pressed to grant full eligibility under the Act to "displaced homemakers"--women who have lost their livelihoods to divorce or widowhood. But the number of such women far exceeds the number of economically dislocated workers, and full inclusion would swamp the program. We are seeking compromise, but the issue will likely resurface.

▪0.2 percent FUTA: Business and Republicans may resist devoting the 0.2 percent FUTA tax to pay for retraining income support following its scheduled 1999 expiration, even though the tax has been extended repeatedly since its original 1987 expiration date, and another extension is widely anticipated.

▪Plans for the disadvantaged: Some advocacy groups feel that the reemployment initiative has eclipsed targeted employment and training programs for the disadvantaged, and may condition their support for the Reemployment Act on an Administration commitment to focus more on programs for the disadvantaged. (In fact, you are seeking a 13 percent <u>increase</u> in such programs for FY 95. There is also a substantial overlap between the two groups: Disadvantaged workers are especially likely to be dislocated from their jobs.)

THE REEMPLOYMENT ACT OF 1994

Funding by Category*
Mandatory or Discretionary



FY93-94 includes only EDWAA
(Does not include TAA, DDP, DCA,
Clean Air or NAFTA Bridge)

THE PRESIDENT HAS SEEN 3/7

THE WHITE HOUSE

WASHINGTON

94 MAR 4 P2:57

March 4, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BOB RUBIN SM for BR

SUBJECT: **Follow-up on Articles and Other Items**

1. U.S. Moves to Halt S & L Sales Amid Concern on Insiders' Profits, Keith Bradsher, NYT, 2/1/94. You asked if there is anything else for us to do on this issue and the answer is no. The FDIC is taking appropriate actions to address the abuse problem of windfall benefits to insiders when thrifts convert from mutual to stock form. The Office of Thrift Supervision (a Treasury agency), which regulates savings and loans and federally chartered savings banks, has long had fairly strict rules to minimize this type of abuse, while the FDIC, which regulates state savings banks, long asserted that it must defer to state regulators, whose rules are often much more lenient. This led to a spate of conversions from federal to state charters prior to conversion from mutual to stock form. The FDIC, however, has now stated that it believes it has legal authority similar to that of OTS, and is working with OTS on consistent rules for conversions.

Gore

2. DLC Says Cut and Invest, Robert Shapiro, WSJ, 2/22/94. Together with the Treasury Department and the OMB, we are examining each of the suggestions. At an initial glance, however, many look like they are politically very difficult (e.g. raise grazing fees) and some even contradictory to existing policy (e.g. phase out funding for Sematech). In addition, Alice Rivlin is calling together a group on Monday to discuss with Rob his entire paper of which this was a subset. CEA, Treasury, and the NEC will participate in this effort to investigate new and different ideas.

House Members e.g. [illegible]

3. Outreach for the G-7 Jobs Conference. As mentioned in a memo to you on the G-7 Jobs Conference, the Administration is doing substantial outreach. We held two bipartisan briefings on the Hill including one with 25 Senators, who were fully engaged for over an hour. We have also hosted several dinners with high profile people involved in business, the inner cities and the academic world, and we will be meeting with Lane Kirkland and Tom Donahue next week.

Gore

4. National Competitiveness Act: On Monday, the Senate is scheduled to begin debating S. 4, the National Competitiveness Act. This bill would authorize expansion of the Commerce Department's technology initiatives such as manufacturing extension and the Advanced Technology Program, as well as research on applications for the "Information Superhighway" in health care, education, digital libraries, and manufacturing.

Senate Republicans will oppose it on the grounds that it is "industrial policy." The Administration and the business community are taking a number of steps to ensure that it passes: Secretary Brown, George Fisher, and other business leaders will hold a press conference on Monday to push passage of S. 4. and many companies are contacting Republican Senators to urge support for S. 4.

EMPTY WAR CHEST: HOW THE DEMS BLEW $30 MILLION

President Clinton is rising in the polls. The economy is humming. So why the long faces at the Democratic National Committee? For starters, despite raising a record $29.2 million in 1993, the DNC ended the year with a $2 million deficit. And the party needs all the money it can get for this year's struggles. Its top legislative priority, Clinton's health-care reform plan, is getting chewed up on Capitol Hill. And Democrats are bracing for losses in the midterm congressional elections. So there's little wonder that party regulars are on edge as they head for the DNC's Mar. 10 meeting in Cleveland. That's raising doubts that it's up to the challenges of 1994.

Party insiders complain that DNC staffers, many of them young ex-campaign workers, spent like teenagers who had suddenly come into an inheritance. Critics grouse that DNC Chair David C. Wilhelm spent too much money on everything from $8 million worth of direct mail to fat consulting contracts for Clinton advisers, including about $2 million for Presidential pollster Stanley B. Greenberg. And the committee spent $4 million lobbying for Clinton's deficit-reduction and health-care efforts and $5 million on costs left from the '92 campaign and transition. "The DNC became the piggy bank for Clinton invoices," says one Democratic consultant. "The money should have been spent to build the party."


WILHELM: A SPENDTHRIFT?

STAFF CUTS. Some Democrats also complain that the party ignored their election needs and promoted the White House's agenda instead. Last summer's budget debate was a particular sore point because lawmakers felt pressured to vote for politically dangerous tax hikes.

Elected officials always complain about party committees being tools of the White House. Democrats have been out of power for so long that they've probably forgotten. But the party was shaken by six straight losses in high-profile elections last year, and the top brass realizes that it needs to stir things up before the fall campaign. The result: Wilhelm has embarked on a major reorganization. He has cut the bloated staff by 20%. And he has hired seasoned pros, such as new Executive Director Debra S. DeLee from the National Education Assn., Political Director Donald R. Sweitzer, a veteran consultant with labor ties, and pollster Edward H. Lazarus, who will plan media strategy.

With the President ready and willing to be the fund-raising headliner, Wilhelm says he expects no problems meeting his target of $30 million this year. One promising source of funds: Executives putting up $10,000 apiece to join the DNC's Business Leadership Forum, which has grown to 600 members from 130 before Clinton's election. Major contributions to the party include $265,000 from American Financial CEO Carl H. Lindner, $71,000 from Anheuser-Busch, and $95,000 from Archer-Daniels-Midland. (ADM Chairman Dwayne O. Andreas last year gave more than $350,000 to Republican causes.)

"SCAPEGOAT." Wilhelm has pledged $2 million to the election efforts of Democratic congressional candidates and $7 million to help state parties coordinate the campaigns of all Democrats running for office. "We will raise more money and do more things on behalf of candidates than any DNC in history," he vows.

Wilhelm says he always intended to focus his attention on elections this year. But there's no escaping the White House's claim on the DNC's time and money. For 12 years, the party chair worked only for Democrats in Congress and the statehouses. Now, sighs Wilhelm, "you are pulled in a million directions. You're an easy scapegoat." In the end, he'll be judged on the results, both on health reform and the midterm elections. If he succeeds, all will be forgiven. If not, he'll be the $30 million dud.

By Susan B. Garland and Richard S. Dunham

CAPITAL WRAPUP

DO AS I SAY

Senator Frank R. Lautenberg is the co-author of a new measure that would bar lawmakers from accepting travel, meals, and other gifts from lobbyists. But the New Jersey Democrat hasn't always felt this way. Senate records show that since 1986, he has taken at least 41 trips paid for in full or in part by special interests. Lautenberg has criticized the Senators' Ski Cup, where lobbyists fly members to a charity benefit in Park City, Utah. But his qualms didn't stop Lautenberg from making the trip four times, as recently as early 1993, according to Senate financial-disclosure documents. Organizations that have funded Lautenberg's travels include Warner-Lambert, MCA, building-trades unions, the Denver Chamber of Commerce, and the United Jewish Appeal. Aides to Lautenberg insist that the Senator, citing a changed political climate, has stopped accepting freebies.

THE HOUSE

Barely a year ago, House Democrats replaced ailing Appropriations Chairman Jamie L. Whitten (D-Miss.) with the equally elderly but more vigorous William H. Natcher (D-Ky.). But now the rapid failure of the 84-year-old Natcher's health has touched off a vigorous campaign for his job. The fight began when Wisconsin Democrat David R. Obey, 56, a ranking member of the appropriations panel, began campaigning openly for Natcher's post. Obey's outspoken liberalism and brusque manner have won him a slew of enemies, and other House members organized an "anyone but Obey" campaign behind the committee's third-ranking member, Neal Smith (D-Iowa), a 74-year-old moderate. But Natcher, who is suffering from both heart and intestinal ailments, is still hanging in. He holds a record of responding to 18,937 roll-call votes without an absence, though recently the House leadership has had to delay actions to accommodate his medical treatments.

NAJLAH FEANNY/SABA

THE WHITE HOUSE
WASHINGTON

DATE: 2/28

TO: Joan Baggett

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

THE WHITE HOUSE

WASHINGTON

March 7, 1994

The Honorable George J. Mitchell
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Mitchell:

The goal of S. 4, the National Competitiveness Act of 1993, is to ensure that American firms and workers are able to compete and win in today's global marketplace. This is a goal and a commitment I share. S. 4's vision of a new public-private partnership to revitalize our nation's technology base, create jobs, and make sure that the United States is the foremost manufacturing nation in the world, is also my vision. I am proud to be your partner in making this vision a reality.

I believe that the private sector is the engine of economic growth and that through innovative partnerships with private industry, the federal government can keep that engine at peak performance. Increased cooperation between industry and government, particularly in the area of civilian technology development, is essential to that effort. Industry has done much, but as companies' R & D budgets focus more sharply on short-term goals, we must leverage private sector R & D investment with partnerships that will benefit the whole economy.

S. 4 provides that wise investment in America's economic future. S. 4's leveraged investment offers this nation a high rate of return: by helping industry to create jobs and compete successfully in the global marketplace, we will grow the economy.

To compete effectively in our global economy our nation must invest in our technology base and in programs that forge strong links between the private sector and the government to strengthen that technology base. S. 4 will create those links, help us to build our technology base, and create jobs and opportunities for all Americans. It will thus implement key elements of my economic plan and my campaign to invest in America's future.

I urge you to pass S. 4 swiftly. I also urge that you refrain from cuts in authorization levels and from amendments that could tie the Administration's hands in implementing the fine programs created by the bill. To ensure that the Senate and House can agree quickly on a final version of the legislation, I urge that the Senate refrain from adding extraneous amendments to S. 4 that would delay enactment of the bill.

Sincerely,

Bill Clinton

President
C. Rasco

THE PRESIDENT HAS SEEN 3/7

The Standardization of Permitting Policies Among Federal Agencies for Outfitters, Guides and Similar Recreation Service Providers

fr
Mike Mills
501 861 5514

David L. Brown
Executive Director
America Outdoors

America Outdoors
P.O. Box 1348, Knoxville, Tennessee 37901
615-524-4814

Overview

The pace of change and reform in permitting and concessions management is creating confusion and disarray among the federal resource managers and recreation service providers. Concessions reform is moving through Congress.[1,2] Commercial Use Licenses (CUL's), issued routinely in units of the National Park Service for some outfitting and guiding and other recreation related services, have been criticized by the General Accounting Office.[3] As a result, some Parks are eliminating CUL's and attempting to replace them with more burdensome concessions contracts that require high levels of bureaucratic overhead. In some areas recreation opportunities are being eliminated.[4,5] An increasingly frequent justification is the absence in resource management plans of a demonstrated public "need" for such services.

The Forest Service and Bureau of Land Management are operating under long established policies that provide a fair rate of return to the government, although some improvements in administration of the policy are desirable. Both agencies have historically used special use permits to manage services provided by outfitters and guides on public lands. The core language in these permits is also issued for gas lines and other special uses across National Forests[6]. The strict

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1 S. 208, National Park Service Concessions Policy Reform Act, ordered reported February 2, 1994, by Senate Committee on Energy and Natural Resources.

2 H.R. 1493, National Park Service Concessions Policy Reform Act of 1993 (see also H.R. 473 and H.R. 2146).

3 United States General Accounting Office, Report to the Chairman, Committee on Environment, Energy, and Natural Resources Subcommittee, Committee on Government Operations. Federal *Lands: Improvements Needed in Managing Short-Term Concessioners,* U.S. House of Representatives, Washington, D.C.: 1993. p.p. 12.

4 Lancaster, John O. (Superintendent, Glen Canyon National Recreation Area), letter to Wilderness Inquiry. Page, Arizona: November 1993, p. 3.

5 America Outdoors Action Alert on Canyonlands National Recreation Area Resource Management Plan. Knoxville, TN.: February, 1994.

6 Conversation with John Shilling, USDA Forest Service, Washington, D.C., October 20, 1993.

liability terms included in these permits are not appropriate for outdoor recreation[7]. Therefore, the Forest Service is considering a separate permit for outfitters and guides.

We believe these issues reflect the need for a specific policy for recreation service providers on federal lands that takes into account the need for resource protection, business viability, and public health and safety.

<u>Need for a Standardized Permitting Policy for Outfitting and Guiding on Public Lands</u>

Outfitters, guides, and similar companies provide access to the backcountry for relatively inexperienced recreationists for whitewater rafting trips, cross country skiing, canoeing, kayaking, hiking, horseback riding, mountain biking, fishing, hunting and other types of recreation services. Without outfitters and guides, or an expensive federal replacement, many of these experiences and much federal land would be inaccessible to the average taxpayer.

We believe the need for outfitters and guides to aid the taxpayers' enjoyment of public lands is well established. The majority of families and individuals seeking backcountry recreation opportunities on federal lands do not possess the first aid training, equipment, or knowledge of low impact techniques important to many recreation activities in backcountry settings. Recreationists may simply not have the time to develop the logistical expertise necessary to operate in the areas. Individuals with special needs also deserve recreation opportunities that are available through outfitters. Additionally, the public may prefer the interpretive or educational component of a trip led by an outfitter or guide.

The competitive operating environment, the origination of services from facilities outside federal boundaries, the relatively short term of permits, and the significant levels of investment

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7 Catherine Hansen, Holland and Hart, Legal analysis of liability issues in Forest Service special use permit for America Outdoors. Cheyenne, Wyoming: January 1994.

required for many of these operations, are among the factors that call for a separate, distinct policy for outfitters and guides. We believe this policy is an important component of a rural economic development strategy, especially where federal lands are predominant.

A significant distinction between outfitter and guide services and hospitality concessions exists. This distinction was recently made in S. 208, approved by the Senate Energy and Natural Resources Committee by a vote of 16 to 4.[8] For hospitality concessions, an exclusive, long term contract for twenty years or more is awarded to one company. Hospitality concessions generally are awarded to a company for services to the public from facilities inside federally managed lands.

On the other hand, services provided to customers by outfitters and guides generally originate from bases or facilities outside federal and public lands and the activities are low impact. Multiple competitors compete for the same market. There is a misconception among some in the federal government that the investment requirements for recreation service providers are quite low. The General Accounting Office has mistakenly informed Congress, "Short term agreements (5 years or less) are for services requiring little or no investment in facilities."[9]

To the contrary, over time, the investment and financing requirements for many outfitters and guides operating under five year permits have increased significantly. The Nantahala Outdoor Center, for example, has retail facilities, two restaurants, and lodging established to service their customers, who utilize National Forests for recreation. Many outfitters operating on the Colorado River through the Grand Canyon have warehouses, kitchens, and office facilities, financed with loans whose terms are for fifteen years. Financial institutions often examine

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8 See exemption language and permitting terms for outfitters in S. 208, op. cit.

9 Keith O. Fultz, *Recreation Concessioners Operating On Federal Lands*, published testimony United States General Accounting Office, Environment, Energy, and Natural Resources Subcommittee, Committee on Government Operations, United State House of Representatives, Washington, D.C.: March 21, 1991, p.p. 5.

permits to determine their term and whether the business has renewal rights. Eliminating stability by reducing renewal options for permittees who have met the terms of their permit will reduce investment in facilities, diminish service, and damage rural economies.

A permitting policy for outfitters and guides should be more streamlined and less costly to issue and manage than the concessions contracts of the National Park Service, for example. There are an estimated 9,000 permits or concessions agreements[10]. To provide an NPS style concessions contract to all these concessions would be too costly. Clearly, some other form of permitting other than NPS type concessions contracts should be implemented for short term concessions and it should be standardized among all agencies.

Goals of a Standardized Permitting Policy for Recreation Service Providers

The goals of a permitting policy for outfitters and guides should be to provide

1. the incentive for investment in the resources necessary to create and sustain successful small businesses capable of meeting the goals set by resource management;
2. a cost-effective method of selecting those individuals and companies with a business ethic that reflects resource stewardship and a commitment to quality service;
3. a fair return to the government for the privilege of operating on public lands;
4. annual performance evaluation criteria, which reasonably assures public health, safety, quality services and environmentally sensitive use of natural resources, and which serves as the basis for permit "renewal";

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[10] United States General Accounting Office, Report to the Chairman, Environment, Energy, and Natural Resources Subcommittee, Committee on Government Operations, United States House of Representatives, *Federal Lands: Improvements Needed in Managing Concessioners*, Washington, D.C.: 1991, p.p. 2.

5. the potential for growth of small businesses who contribute to economic development in rural America.

Essential Elements of a Standardized Permitting Policy for Recreation Service Providers

To achieve the goals listed above, several key elements of a permitting policy are required.

1. **Award new permits based on experience, qualifications, and stewardship not fee bidding.** Agencies should base the award of new permits on proposals for operations that reflect the experience of the permittee, their qualifications, demonstrated business skills, quality service, and commitment to resource protection. Fee bidding for permits subverts stewardship and potentially undermines the quality of service. Regardless of mandates to consider other qualifications, in the era of deficit reduction and high levels of scrutiny, agency personnel will tend to select the highest fee bid at the expense of other qualifications, such as service or stewardship. Variable fee burdens will result among competitors that undermine the ability of some companies to compete on quality and resource stewardship.

   For these reasons, fees should be standardized for each type of service within a resource area or unit and should be based on fair market value. These terms are reflected in S. 208.[11] Some credit should be given to non-compensated services provided to the government by recreation service providers either as part of the evaluation or in lieu of fees.

2. **Provide renewal rights upon expiration.** If the terms of the permit have been met, the resource protected, and quality service provided to the customer then permittees should be granted rights to renew their permit. Adequate investment in services, the procurement

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11 See section on standardization of fees for outfitting and guiding in S. 208, op. cit.

and maintenance of equipment, the training of quality guides and staff, and the marketing of recreation services, requires a planning horizon that extends beyond the expiration of a five year permit. Companies who are in the third or fourth year of a five year permit may need to acquire equipment, improve facilities, and enter into marketing arrangements, whose life naturally extends beyond the expiration of the permit. If however, upon the expiration of the permit renewal is not an option for a satisfactory permittee or if the award of that permit is subject to a bid, those investments will not be made. It is unlikely that any significant investments in quality services or facilities will ever be made for permits with terms of five years that are subject to a bid from competitors regardless of performance by the existing permit holder.

The goal of the policy should be to select individuals or companies with a commitment to quality, stewardship and with the business skills to succeed and to retain those operators as long as they meet the terms of the permit. Turnover for the sake of turnover or a policy intent on providing business opportunities to an unlimited number of entrants will not serve the resource or the public well. A high level of turnover will also result in higher operating overhead for the agencies and a "cash cow" mentality for permittees. The net effect for a permittee operating in this environment will be to transfer cash from their permitted operation to more secure investments. With the decline of investment in resources, training, and facilities, service to the public and resource stewardship will decline.

3. **Adequate evaluation of permittees ensures quality service and resource stewardship.**

Adequate annual evaluation of the permittees' operations will ensure the delivery of quality service. Rights to renew should be based on the permittees' ability to provide satisfactory service and compliance with other terms of the permit. The policy of retaining renewal rights for permittees who are not probationary for two consecutive evaluation periods or who are not probationary or unsatisfactory in the final year of their permit is an appropriate policy. S. 208 reflects the intent to retain "satisfactory" outfitters.[12]

Improvements should also made in the administration of this policy by developing a standardized format for permittees' operation plans and well defined evaluations. Operation plans then become part of the permit and compliance with the operation plan is one measure of the permittees' performance in annual evaluations. Practices to minimize impacts and meet other resource management objectives can be specified in the operating plan. Other elements of the evaluation should measure quality service and the ability to meet the financial obligations to the government. Training permit holders and administrators in requirements and responsibilities of the permit are important components of an adequately implemented policy.

The evaluation should not focus on compliance with administrative procedures or deadlines that do not comply with standard business practices. Evaluations should be developed in cooperation with service providers who are experts in their disciplines. The evaluators should be adequately trained in the administration of the policy and the evaluation.

An appeals process should be established that allows for impartial review of appeals of a probationary or unsatisfactory rating. That process should be fair and easily understood by both parties.

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12 See exemption language and permitting terms for outfitters in S. 208, op. cit.

4. **Transferability of the permit with the sale of the business.** As with any business, the incentive to risk and invest is based partially on the potential to establish and build equity value in the business and property. Many outfitters, for example, work many years at low salaries to establish their businesses. Most do not have retirement plans. Their retirement is based on the ability to sell a successful business. The greater the success the greater is the reward.

   A permitting policy should allow the transfer of a permit with the sale of the business to a buyer judged to be qualified by the agency. Agencies should have the authority to deny transfer of the permit if the sale price exceeds a reasonable value and jeopardizes the viability of the business or quality service to the public. Transfers should also be prohibited if the sale price includes any valuation of the permit. Permit administrators should, however, recognize that the value of a business is equal to more than the sum of the value of the assets. The public's demand for the services of an outfitter is based on years of work, ingenuity, quality service, innovation, and technical skill. It is appropriate for the sale price to reflect these values.

5. **Permit terms should not create liability exposure to permittees for the inherent risks of the activity.** Strict liability clauses in some permits have required outfitters and other permittees to accept liability regardless of negligence or prohibited assumption of risk agreements. These are not appropriate for recreation service permits and will ultimately impair permittees' ability to obtain affordable insurance. Permittees should be responsible for their own negligence, but not for the negligence of the customer or for the inherent

risks of the activity, provided that the customer has received reasonable warning about the apparent risks.

6. **Allocation of use to outfitters.** Providing outfitters with a stable allocation of user days during the term of the permit is an essential element of an outfitter and guide permitting policy. In a regulated environment, where use is fixed by the agency for resource protection, outfitters must be given a specific allocation of that use as a basis for budgeting, financing operations, investing in equipment, and training the appropriate number of guides and support personnel. So called "Freedom of Choice Allocation" scenarios that lump all use (self-guided and outfitted) into a common pool and require the public to obtain a permit from the agency before contacting a guide or outfitter will undermine investment and quality of service. Even if the public demands an outfitter's services, there is no certainty that the customer will be able to obtain a permit from the agency. Allocations may be adjusted upon renewal of the permit to reflect actual use levels if a permittee has been unable to utilize assigned use, except when drought, economic factors, or other extenuating circumstances have resulted in uncontrollable hardship.

THE PRESIDENT HAS SEEN 3/7

Спасибо

Б.

316

NATIONAL ORGANIZATION ON FETAL ALCOHOL SYNDROME

[redacted]

2/3/94

94 FEB 23 A11 : 50

John,

I want you to know how much the Presidential Message on FAS means to NOFAS, and to me personally. I know that at the moment FAS is not exactly on the top of your issues pile, but it really gave everybody working on this issue a little more wind in their sails to keep going.

Thank you again for everything,

Patti

Doeskind
fyi
Thanks to the crew
Podesta

[redacted]

[redacted]

94 FEB 28

3/6

THE WHITE HOUSE

WASHINGTON

February 28, 1994

TO: JOHN PODESTA

FROM: DAN BURKHARDT

THROUGH: MARSHA SCOTT

SUBJECT: HONORARY CHAIR AND EVENT ATTENDANCE REQUESTS

Please review the attached requests, make your recommendations, and return to me in rm. 94 EOB by Monday, March 7, 1994.

Thank you.

[redacted]

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

1:52
Today's Date: February 28, 1994

Date of Request:	1/24/1994
Request for:	POTUS/FLOTUS
Type of Request:	honorary chairpersons of premiere
Requestor Name:	Mr. James D. Wolfensohn
Title:	Chairman
Organization:	The John F. Kennedy Center for the Performing Arts Washington, D.C. 20566-0001
Contact Tel. #:	202/416-8010
Event Date:	4/06/1994
Event Description:	Royal Ballet of Great Britain will be presenting its world premier of "The Sleeping Beauty" at the Kennedy Center.
Notes:	This occasion will act as the Kennedy Center's annual benefit. HRH Princess Margaret of Great Britain plans to attend the performance. The First Lady's Office has already accepted the position of honorary chair on behalf of Mrs. Clinton.

Recommendations:

PL ______ JP Yes

unless First Lady would prefer making this Mrs Clinton only

The John F. Kennedy Center for the Performing Arts

JAMES D. WOLFENSOHN
CHAIRMAN

WASHINGTON, D.C. 20566-0001
202 416-8010
FAX 202 416-8018

Alice — Marianne said you for HRC Hon. chair, won't attend — They should get letter Sue 1/25

January 24, 1994

The President
and Mrs. Clinton
The White House
Washington, DC 20500

Dear Mr. President and Mrs. Clinton:

On April 6 of this year the Royal Ballet of Great Britain will be presenting its world premier of "The Sleeping Beauty" at the Kennedy Center. This will be a remarkable occasion both in the world of dance and for us here in Washington. We expect that ballet fans from throughout the country will attend the performance as will HRH Princess Margaret from Great Britain.

I understand that this date is already noted on your calendar in the hope that you both, together with Chelsea, will be able to join us. The occasion will be our annual benefit for the Kennedy Center and we would be deeply honored if you would agree, not only to be with us for this memorable evening, but also to be our honorary chairpersons.

Your patronage would be an enormous help to us in our efforts to make the evening a success and I trust that it would be in keeping with the standards and nature of the events with which you have been associated in the past.

We all very much hope that you will give this request your favorable consideration.

With my respects and with warm personal regards,

Sincerely,

Jim

James D. Wolfensohn

051894 PP005-01 Y

THE WHITE HOUSE

WASHINGTON

January 28, 1994

Circulate by John and Phil

Mr. James D. Wolfensohn
Chairman
The Kennedy Center For
the Performing Arts
Washington, D.C. 20566-0001

Dear Jim:

Thank you very much for your kind letter inviting the First lady to serve as the honorary chairperson for the Royal Ballet of Great Britain's world premiere of "The Sleeping Beauty" on April 6 at the Kennedy Center. Mrs. Clinton is pleased to accept your gracious invitation.

Although it is unlikely Mrs. Clinton will be able to attend, please be assured that we will keep your event in mind and our scheduling office will contact you it we can accommodate your request.

Because White House policy restricts the use of the First Lady's name, it is necessary that we review any printed materials which mention the First Lady's participation. My office can assure prompt review, but please allow two weeks prior to press time.

The First Lady's agreement to serve is extended for this purpose only and is not transferable to other functions or bodies.

Please do not hesitate to contact our office if we can be of further assistance to you.

Sincerely yours,

Maggie

Margaret A. Williams
Chief of Staff
for the First Lady

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: February 28, 1994

Date of Request:	2/04/1994
Request for:	POTUS
Type of Request:	Honorary Co-Chair
Requestor Name:	The Honorable W. Brad Parton
Title:	Mayor, City of Redondo Beach
Organization:	South Bay Coalition (formerly Beach Cities Coalition for Alcohol and Drug-Free Youth, Inc.) Room Four 710 Pier Avenue Hermosa Beach, California 90254
Contact Tel. #:	310/318-8649
Event Date:	10/06/1994
Event Description:	1994 Red Ribbon Celebration at the Torrance Cultural Arts Center.
Notes:	The South Bay Coalition is a local substance abuse prevention organization that is taking part in the National Red Ribbon Celebration, organized by National Family Partnership, with local events. President Clinton is the current honorary chairman for the **National** Red Ribbon Celebration. This is a request for the President to be a co-chair of the South Bay celebration. This organization's 1993 request was regretted.
Recommendations:	

PL _______ JP NO _______

February 4, 1994

South Bay Coalition

Working together to prevent substance abuse.

The President of the United States
The White House
Washington, D.C. 20500

Mr. President:

On behalf of the South Bay Coalition, I am inviting you to co-chair the 1994 Red Ribbon Celebration to be held October 6, at the Torrance Cultural Arts Center. The celebration is our organization's annual kick-off to the National Red Ribbon Week Campaign and fundraiser.

Last year's Red Ribbon Celebration was a tremendous success, raising almost $8,000. The support and response we received from local officials and community leaders contributed greatly to this success.

As Co-Chairperson, you would be recognized in the invitation, program and advertisements, and this honorary title would require no time and effort on your part. Proceeds from the event will be used to support the Coalition's efforts to provide substance abuse prevention education, direct services and positive alternative activities for youth in the South Bay.

We are presently making arrangements with a popular celebrity and government official to be the special guest speakers for this event. We will be honored if you accept our request to serve as Co-Chairperson.

I would appreciate your response to this request by March 31. If you would like more information about this event or the South Bay Coalition, please contact Lauren Nakano, Assistant Director of Resource Development, at (310) 318-8649.

Thank you for your consideration.

Sincerely,

W. Brad Parton

W. BRAD PARTON
Mayor
City of Redondo Beach

710 Pier Avenue, Room Four, Hermosa Beach, California 90254 Phone: 310.318.8649 Fax: 310.318.8659

THE WHITE HOUSE
WASHINGTON

DATE: 3 16

TO:
THE VICE PRESIDENT
MACK MCLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS
MARK GEARAN
ROBERT RUBIN

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

The attached has been forwarded to the President.

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

MEMBER

March 4, 1994

94 MAR 4 P7:39

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER Ab

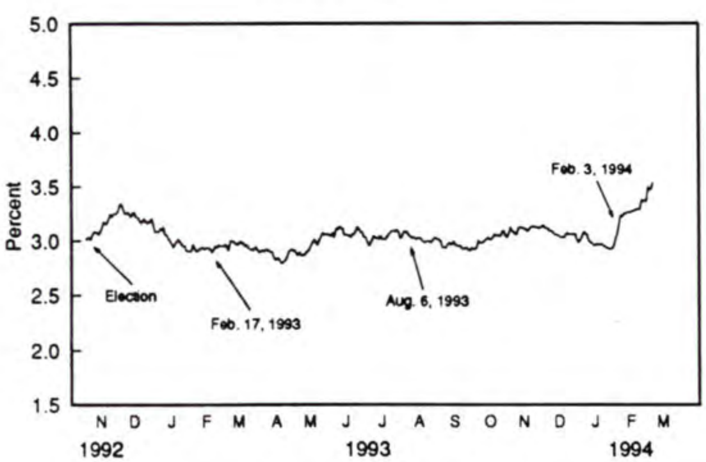
SUBJECT: Interest Rates and the Stock Market, Week Ending Friday, March 4, 1994

Interest rates rose sharply this week, both in the U.S. and elsewhere, spurred by, e.g., the substantial upward revision in fourth quarter U.S. GDP estimates, the NAPM price survey, announcement of Super 301, and the publication of rapid German monetary growth figures. Changes in Treasury borrowing rates were as follows:

	Close 2/25/94	Close 3/4/94	Change
3-month bills	3.37	3.53	+0.16
10-year notes	6.21	6.38	+0.17
30-year bonds	6.73	6.85	+0.12

The stock market closed down slightly for the week. The broad-based S&P index closed Friday at 464.74, down 0.3 percent from the preceding Friday's close. The Dow Jones Industrial Average closed Friday at 3832.30, down 0.2 percent for the week.

Three-Month Rates



Thirty-Year Rates

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

MEMBER

March 4, 1994 '94 MAR 4 P7:39

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER

SUBJECT: Foreign Economic Developments

Exchange Rates: The dollar rose this week as interest rates rose here and speculation increased that the Fed would move again. Intervention by the Bank of Japan to reduce the value of the yen also boosted the dollar.

Value of the Dollar in terms of:	Week Ending 2/25/94	Week Ending 3/4/94	Percent change from: Week ago	Year ago
Deutschemark	$1 = 1.7035 DM	$1 = 1.7197 DM	+1.0%	+4.9%
Yen	$1 = 104.25 Yen	$1 = 105.55 Yen	+1.2%	-9.4%
Multilateral (March 1973 = 100)	94.55	95.30	+0.8%	+2.2%

European Interest Rates: The central banks of Belgium (for the second time in a week), Portugal, and Spain cut short-term interest rates this week. European bond markets were unusually volatile; long-term rates rose sharply mid-week and then fell Thursday and Friday.

Japan: ▸ The current-account surplus fell to $6.8 billion in January, down sharply from $12.6 billion in December, but up from $5.2 billion in January 1993. The labor market improved slightly in January as the unemployment rate fell to 2.7% and the ratio of job offers to job seekers rose to 0.67, up from 0.65 in December. Industrial production rose 0.9% in January but remains 3.1% below its level a year ago. The Bank of Japan pushed money market interest rates lower.

Europe: ▸ **German** industrial production was unchanged in January and is now 0.3% higher than a year ago. Consumer prices rose 0.2% in February and are 3.3% higher than a year ago. Several short strikes were staged this week as organized labor exerted pressure in ongoing wage negotiations.

▸ **French** unemployment remained unchanged at 12.2% in January. Private sector GDP rose 0.2% in the 4th quarter, but fell 0.7% in 1993.

▸ **UK** inflation remained low as retail prices in January were 3.2% above a year ago.

Other Countries: ▸ **Canadian** GDP rose 0.9% in the 4th quarter, bringing real GDP growth to 2.4% for the year. The current-account deficit was $C 25.2 billion in 1993, down from $C 27.7 billion in 1992.

3/6/94

94 MAR 5 A10:10

MEMORANDUM

TO: ~~John Podesta~~

FROM: Ricki Seidman / collier andress
Assistant to the President
Director of Scheduling and Advance

DATE: 3/3/94

SUBJECT: Public ceremony for Nation's Medal of Honor recipients

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I. **PRESIDENTIAL SCHEDULING ACTION**

X Pending decision

X If you think that the President should attend please do a scheduling proposal.

___ President will not be attending

II. **SCHEDULING CORRESPONDENCE**

X Pending decision

___ "REGRET" Letter to be sent

III. **ACTION TO BE TAKEN**

X Please advise if the President should attend

___ The President will not be attending. Please determine if a representative of the President should be sent and coordinate.

___ Please coordinate a representative of the President to attend.

How about as part of roll up for JUNE. Not a bad idea John

IV. **SURROGATE SUGGESTION(S)**

V. COMMENTS/NOTES

ONE HUNDRED THIRD CONGRESS

G.V. (SONNY) MONTGOMERY
CHAIRMAN

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

335 CANNON HOUSE OFFICE BUILDING

Washington, DC 20515

February 24, 1994

Mr. Doug Soznik
Deputy Assistant to the President
for Legislative Affairs
Room 112, East Wing
The White House
Washington, DC 20500

Dear Mr. Soznik:

Enclosed is correspondence from a close friend of mine which contains a proposal that President Clinton honor the Nation's Medal of Honor recipients in public ceremony. It's a good idea and ought to be followed up.

I will appreciate your routing this request into the right channels and asking the appropriate staff to get back to me as soon as possible with a reply.

Sincerely,

Sonny

G.V. (SONNY) MONTGOMERY
Chairman

LT. COLONEL JOSEPH A. BURT, SR.
U.S. AIR FORCE (RET.)
4534 NORTH 15TH STREET
ARLINGTON, VIRGINIA 22207

13 Feb 94

Chairman G. V. Montgomery
Veterans Affairs Committee
U.S. Congress
RHOB 2184 Washington, DC 20515

Dear Sonny,

Dr Arthur S. Curtis, a friend of mine, maintains a list of Congressional Medal of Honor recipients. He is a graduate of Harvard Law, and a former professor at the U.S. Naval Academy.

Dr Curtis is seeking a way to get the following suggestion considered by President Clinton's staff: A proposal that the President recognize the contribution made, and the exceptional valor displayed, by the Congressional Medal of Honor Holders. Living recipients could be invited to attend such a ceremony.

We both would appreciate your advice as to how best to reach the Presidents staff with this idea. Also, it would be great if you would be a sponsor of this effort.

With best personal regards.

Joe