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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Mack McLarty to POTUS re: Summary of Various Items [partial] (1 page)	06/22/1994	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 4889

FOLDER TITLE:

June 26-30, 1994

2018-0662-S
rs3103

RESTRICTION CODES

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

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

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

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

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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THE WHITE HOUSE

WASHINGTON

JUNE 30, 1994

RECOMMENDED TELEPHONE CALL

TO:	Rep. Dan Rostenkowski
DATE:	June 30, 1994
RECOMMENDED BY:	Patrick J. Griffin
PURPOSE:	To thank Rep. Rostenkowski for his work on the health reform bill. This call should be closed to the press.
BACKGROUND:	As you know, Rep. Rostenkowski served as Chair of the Ways & Means Committee until May 31. At approximately 2:00 PM today, the Ways & Means Committee is expected to report out its comprehensive health reform bill. This measure is significant because the bill contains both of your goals: Universal coverage and cost containment.
TOPICS OF DISCUSSION:	1. Thank Rep. Rostenkowski for his hard work. Passage of this bill represents significant progress toward health care reform.
CONTACT PERSON AND TELEPHONE NUMBER(S):	White House Operator
DATE OF SUBMISSION:	June 30, 1994

ACTION: ____

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THE WHITE HOUSE

WASHINGTON

JUNE 30, 1994

RECOMMENDED TELEPHONE CALL

TO: Chairman Sam Gibbons

DATE: June 30, 1994

RECOMMENDED BY: Patrick J. Griffin

PURPOSE: To congratulate and commend Chairman Gibbons for reporting out a bill from the House Ways & Means Committee today. This should be a public call and open to the media.

BACKGROUND: At approximately 2:00 PM today, the Ways & Means Committee is expected to report out its comprehensive health reform bill.

This measure is significant because the bill contains both of your goals: Universal coverage and cost containment.

TOPICS OF DISCUSSION:

1. Congratulate Chairman Gibbons for reporting out a health care bill which achieves the goal of universal coverage.

2. Thank the Chairman for his hard work. Passage of this bill represents significant progress toward health care reform.

3. Discuss working with Speaker Foley & Majority Leader Gephardt in order to get a bill to the floor before August recess.

CONTACT PERSON AND TELEPHONE NUMBER(S):	White House Operator
DATE OF SUBMISSION:	June 30, 1994

ACTION: ____________________

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THE WHITE HOUSE
WASHINGTON

DATE: 6/30/94

TO: George, Mark, DeeDee

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

The attached has been forwarded to the President.

G69424

THE WHITE HOUSE

WASHINGTON

June 29, 1994 JUN 29 P5:11

MEMORANDUM FOR THE PRESIDENT

FROM: **BILL GALSTON** WAG

SUBJECT: **STATUS REPORT ON INCOME-CONTINGENT LOANS**

Last week the Washington Post published an article in which some higher education representatives criticized aspects of the administration's emerging income-contingent loan proposal. In the wake of that article, you asked Carol Rasco and me whether there is a problem. The short answer is no, absolutely none. The purpose of this memorandum is to report to you on the progress we are making to implement your campaign promise that all students would have the option of repaying their loans as a small percentage of income over time.

As you know, the 1993 budget agreement authorizes a five-year phased transition from the current guaranteed student loan program to a new system of direct loans. As part of this new system, the administration was empowered to create a new income-contingent repayment option for student borrowers through a process known as "negotiated rule-making," in which responsible officials from the executive branch meet with a wide range parties affected by potential regulations to work toward consensus on regulatory proposals that are then evaluated, revised, and approved by OMB and the White House.

Pursuant to that legislation, the Department of Education met over a period of months with representatives of post-secondary education institutions and organizations. Last month, the negotiators reached consensus on a proposal that I, Gene Sperling, and OMB felt did not go far enough toward achieving the objectives you laid out during your presidential campaign. Specifically, while the draft plan was acceptable for lower-income borrowers, it did not provide attractive new options for middle-income borrowers--precisely the kinds of young people you hoped would take advantage of income-contingency to choose public-interest jobs after graduation from college or professional school. We worked with the Department over a period of weeks to address this problem.

Last week, the Department presented a revised proposal to the higher education negotiators. Many of them had been skeptical about a broad income-contingent option from the very beginning, and they were vocal in expressing their objections to our new proposal. After that meeting, the malcontents went public, generating the Washington Post article.

Contrary to the impression left by that article, the actual policy differences between the administration and the higher education were relatively narrow--questions of degree rather than principle. Everyone agreed that under income-contingent repayment plans, many borrowers will take longer to pay off their loans, and some will not fully repay. The question was how long and how many.

Accordingly, we went back to the negotiating table late last week with a compromise proposal. By the close of business Friday we had reached agreement on a plan that will achieve your objectives in a manner that is fiscally sound and acceptable to most higher education organizations that are worried about student "overborrowing."

This represents a major step forward for the middle class. Effective July 1, all new borrowers under your direct lending program will be eligible for income-contingent repayment. In addition, up to 20 million current borrowers with about $50 billion in outstanding loans will be able to transfer to new loans offering income-contingent repayments. Gene Sperling and I are now working with the Department and with your communications and political advisors to plan an effective announcement of this program, emphasizing two key points: new opportunities for the middle class, and translating campaign promises into reality.

Student Loan Plan Spreads Out Obligation

Prospect of 25 Years of Repayments Alarms Some College Officials

By Mary Jordan A1
Washington Post Staff Writer

Within days, the Clinton administration will issue its final regulations on its new student loan program designed to make "college more affordable," as Bill Clinton promised in his campaign for the presidency.

The plan would drastically reduce monthly loan repayments for millions of low- and middle-income Americans and aims to reduce the number of students who abandon their school debt.

Currently, no matter how much students earn after graduation, they repay their government-backed loans on a standard 10-year plan.

Under the Clinton plan, some students could have their monthly loan payments spread out over a much longer period, thereby cutting their monthly payments by half or more. The White House heralds this as a new option to help the middle class cope with college costs.

But even some college officials who have publicly embraced the idea of basing payments on income level were alarmed at the details of the administration's plan released this week. They argue that it drops the monthly loan payments so low that it would actually hurt students because many will be lured into paying school loans for as long as 25 years.

Extra years of compounding interest payments will mean people could wind up doubling or tripling college costs, said Laura McClintock, legislative director of the United States Student Association. Once students are presented with the option of low monthly payments, many will grab it, even if it makes little financial sense for them, she said. "It could be good for some students," she said, but for others it is "not a pro-student plan."

Barmak Nassirian, a loan financing expert at the American Association of State Colleges and Universities, called the new plan "smoke and mirrors."

"This is not about making college

LOANS, From A1

really more affordable," he said. "It is about making college seem like it's more affordable. It's a cynical approach, not unlike a used car dealer selling a '68 Chevy to cash-strapped customers on extended financing."

"What you don't pay for today, you pay through the nose for tomorrow," he said.

But White House economic adviser Gene Sperling said the president is fulfilling his promise to help the middle class afford college. Students will still have the current 10-year option, and can pay their loans off at any time. He said they can even switch in and out of the new array of payment plans.

Sperling also said the fine print is not final and that the higher education community really has only "narrow disagreements we expect to work out over the next couple days."

The administration's new student loan plan is to take effect on July 1 for some loans. Over the next few years, millions of student borrowers could be affected by the plan. In the academic year 1992-1993 alone, 5.8 million students took out government-backed student loans.

The practice of basing debt repayments on income marks a major departure from the current financial aid system. Today, students pay a fixed monthly amount determined solely on the amount they borrow. It does not matter if they land a $50,000 job on Wall Street or a $17,000 teaching job.

Throughout the 1992 campaign, Clinton promised to make it easier for college graduates to take low-paying community service jobs and not feel forced into high paying fields because of school debt.

Many of those who default or abandon their loan payments are people who cannot afford to meet their monthly payment. The administration said this new option will encourage low-income people to pay a little instead of nothing at all.

Currently all students who borrowed $20,000 at an interest rate of 7 percent pay back about $230 a month. Under the Clinton plan circulated in higher education circles this week, that payment would drop to about $100—less than half—for those earning $20,000.

Payments would be adjusted upward as a person's income increases. People earning less would pay less.

David A. Longanecker, assistant secretary of education, said he has been taken by surprise by those who say this is "morally bankrupt."

"Obviously, we don't think it is," he said. In some cases the administration and the higher education community "are less than $10 apart" in what they think the new monthly payments should be. He said he hoped to meet today with some of the groups that sent an urgent letter to Education Secretary Richard W. Riley on Wednesday asking for "an immediate intervention" to change the plan.

"Our interest is to help students, not to place them in greater debt," Longanecker said.

Even students earning as much as $50,000 upon graduation will be allowed to reduce their monthly payments under the new plan. If that student owed $40,000, currently he or she would pay $502 at an 8.2 percent interest rate, Longanecker said. The Clinton plan would reduce that amount to $362. It is especially at the higher levels of income that the higher education community believes the debt repayments should be increased.

Robert H. Atwell, president of the American Council on Education, the nation's largest higher education group, said that "the White House scheme" extends from 6 to 20 percent the amount of people who still won't have repaid their loans in 25 years.

Under the plan, taxpayers would be liable for the loans unpaid after a quarter of a century.

Rep. Thomas E. Petri (R-Wis.) has advocated income-contingent loans for more than a decade, but he is not at all happy with the new plan.

Petri said he and others have put "their reputations on the line for this new program" and don't want to see it fail. One of the things he is worried about is that students will "game the system" by borrowing more than they need, and taxpayers will end up paying for it.

The provision to adjust repayments according to income is just one part of the administration's ongoing overhaul of the entire student aid program. Last year, Congress approved the administration's plan to begin setting up the federal government as direct lender to students, bypassing private banks.

As of July 1, 5 percent of the government-backed student loan volume will be directly lent to students by the Education Department. By July 1995, that sum is to rise to 40 percent, with the aim of eventually bypassing all private banks and lenders such as Sallie Mae.

The option of basing loan repayments on income will be available to all those in the direct lending program. Many colleges have already joined that program including American University and the University of the District of Columbia. Longanecker said in addition to those students, the income-contingent plan could also soon be available to any student with existing loans who wanted to join it.

FRIDAY, JUNE 24, 1994 THE WASHINGTON POST

THE PRESIDENT HAS SEEN
6/27/94

THE WHITE HOUSE

WASHINGTON

June 24, 1994 94 JUN 24 P7:18

MEMORANDUM FOR THE PRESIDENT

FROM: **KATIE McGINTY** mass reader FOR

CC: **THOMAS MCLARTY**

SUBJECT: **OEP WEEKLY REPORT**

C

Dispute with Canada regarding Pacific salmon

On Thursday, June 23, at the Vice President's request, the Vice President met with Canadian Ambassador Raymond Chrétien to discuss the recent imposition by Canada of a license fee on U.S. commercial fishing vessels using the Inside Passage along the Canadian coast. They had a frank, candid, and constructive discussion of the issue. The Vice President reiterated the U.S. position that the Canadian fee on U.S. fishing vessels is unacceptable. The Vice President assured the Ambassador that this matter would continue to receive White House attention, and both agreed that a resolution is required very soon. Ambassador Chrétien agreed to convey the Vice President's message immediately to his authorities in Ottawa, and we hope to hear from him again within the next few days. Both the Vice President and Ambassador Chrétien expressed the view that the salmon treaty negotiations should be resumed and intensified with new resolve and determination to succeed.

On Friday, June 24, Eileen Claussen and I briefed Members of Congress and staff from the delegations of Alaska, Oregon, and Washington on the Vice President's meeting. The Members were unified in insisting that the Canadian fee be lifted before we resume negotiations, and most of them were very appreciative of our involvement thus far. We also briefed them on the facts surrounding the situation on the coast. Most U.S. vessels have been paying the fee under protest, but on June 17 one vessel was seized by Canadian enforcement officials for refusing to pay the fee, and was released on June 18 after paying the fee. As of June 23, 197 U.S. vessels had paid the $1100 fee. The U.S. Coast Guard has increased aircraft surveillance -- for search and rescue purposes -- of vessel traffic in the more dangerous waters west of Vancouver Island, to monitor fishermen travelling outside the Passage. So far only 8 vessels have chosen that route, since most U.S. fishermen have become resigned to paying the fee. If the Canadians refuse to lift the fee, we must decide in very short order whether we will take retaliatory measures.

Can we negotiate the problem that led to the fee?

Desertification

In a down-to-the-wire finish, negotiations of the "Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa" successfully concluded on June 17 in Paris. Efforts to negotiate a Desertification Convention were launched in 1992 in response to calls by African countries at UNCED for a convention that addresses their major environmental concern: dry-land management. Although substantial financial resources have flowed into Africa for many years to address this problem (the US currently has $500 million in related projects there), efforts to effectively combat desertification have faltered due to poor donor coordination and ineffective use of available funding in affected countries. The newly completed Desertification Convention specifies obligations for countries affected by desertification in terms of activities and planning. (The US is an affected country, but is not committed to any actions that we are not already doing.) It also establishes a Global Mechanism to promote actions leading to the mobilization and channelling of financial resources. While this Mechanism will not serve as a trust fund for any new and additional resources, it will improve the efficiency and coordination of available resources to combat desertification. The focus on Africa implied in the title of the convention is borne out in its provisions both in the main text of the convention and in a detailed, functional "Regional Implementation Annex for Africa." The convention also contains three other (less detailed) Regional Implementation Annexes for Asia, Latin America and the Caribbean, and the northern Mediterranean. In addition, the convention provides for a panel to give advice to the Conference of the Parties on scientific, technical and technological matters. At the end of the negotiation, non-African developing countries tried to derail the convention due to their disappointment that a global financial trust fund was not agreed to, and their feeling that the focus on Africa would cause their countries to be neglected. However, the African countries ultimately convinced the other developing countries to accept the convention and it was adopted by consensus.

Superfund

The Administration's Superfund proposal is scheduled to be voted on by the Senate Environment and Public Works Committee in approximately two weeks. The House Public Works Committee will hold one more hearing on Superfund after the July 4th recess and then will go to mark up. It is still unclear whether Superfund reauthorization can be achieved this Congress. The time frame for addressing Superfund will be determined in large part by whether Senator Baucus and Congressman Mineta, the key Committee Chairmen, decide to move Clean Water Act reauthorization before Superfund.

I attended your speech at the Business Round Table. The BRT is lobbying hard in favor of our Superfund proposal. They were disappointed that it was not mentioned as one of your legislative priorities, but I assured them that we were making every effort to ensure that Superfund is reauthorized this Congress.

GLOBE

An amendment to strike funding for the GLOBE program from the NOAA appropriations bill was narrowly defeated on the House floor today, leaving the $7 million requested in NOAA's budget for GLOBE intact. Next Wednesday the Director of the GLOBE Program, Tom Pyke, will brief representatives from foreign embassies here in Washington, D.C. including environment, science and education attaches. There will also be a briefing for representatives from a wide-range of environmental, scientific, and educational organizations. In addition, last week a cable was sent to overseas posts providing additional information on GLOBE and asking for input from their host governments. More than 40 countries have already stated their intention to participate in the program.

Wetlands

OEP continued its series of quiet discussions with representatives of key Senate democrats on the delicate subject of wetlands. The participants include the offices of Senator Breaux, Johnston, Pryor, Bumpers and Senate committee staff. The purpose is to encourage the Senators not to offer an onerous set of wetlands amendments to the Clean Water bill that would cause substantial controversy, place the bill at risk and mar the constructive achievements of your wetlands policy announced last August. While the prospects of an agreement on a set of amendments is not great, the investment of time and effort is building substantial good faith in our willingness to listen and work through touchy issues in a constructive setting.

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Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 4889

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THE PRESIDENT HAS SEEN
6/27/94

THE WHITE HOUSE

WASHINGTON

94 JUN 22 A11:23

JUNE 22, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: **MACK McLARTY**

SUBJECT: **SUMMARY OF VARIOUS ITEMS FOR YOUR INFORMATION**

-- Copy of memo from Mary Hope Davis enclosing letter Senator Bumpers sent to Deputy Secretary Deutch about building a vaccine production facility at the Pine Bluff Arsenal. A decision is to be made by August 5.

-- Copy of my letter to Peter Jennings telling him how much we enjoyed having him at the State Dinner, and thanking him for the D-Day tape he left for you.

-- Thank you note from Craig Smith for food and flowers Donna and I sent him (b)(6) with my note to you indicating that I am trying to be particularly mindful of your long-term friends, per our discussions.

-- Copy of message from John Emerson indicating that he had a good conversation with Dick Blum, and that Blum was "proud" that Dianne (Feinstein) had apologized to you.

-- Copy of letter from Ted Sorensen to Phil Lader attaching suggested "themes".

-- Copy of Armed Forces Information Service D-Day Commemoration Special Edition sent to key personnel.