

Enon

R

TO BURKHARDT
FOR REPLY?
YES 4-13-98

THE WHITE HOUSE
WASHINGTON

'98 APR 13 PM 2:41

April 13, 1998

RECOMMENDED TELEPHONE CALL

TO: Mark O'Meara (PGA Tour Player)

DATE: Monday, April 13, 1998

RECOMMENDED BY: Gene Sperling
Rahm Emanuel

PURPOSE: If you have not already called, you should call Mark O'Meara to congratulate him on winning the 1998 Masters Tournament.

BACKGROUND: O'Meara made a 20-foot birdie putt at the 405-yard 18th hole to win the 62nd Masters by a shot over playing partner Fred Couples and David Duval, solidifying his reputation as one of the greatest golfers. Mark birdied three of his last four holes, including the last two, to finish with a round of 67 and a 9-under total of 279. O'Meara started the final day of the Masters two shots off the lead and trailed, David Duval, with four holes to play.

Since turning professional, Mark has had 14 PGA Tour victories, including five at Pebble Beach, the latest in 1997. Also the 1997 Buick Invitational champion and the winner of the Trophee L'ancome In Europe. Mark, a former US Amateur Champion 1979 (considered a major championship), tied for third in the 1988 US Open and tied for third in the 1985 and 1991 British Opens. Mark has also been a Member of the 1985, 1989, 1991 and 1997 Ryder Cup Teams. He also tied for fourth in the 1992 Masters, his best in 14 appearances.

TOPICS OF DISCUSSION:

- I would like to congratulate you on winning your *second* (including 1979 U.S. Amateur Championship) Championship, the 62nd Masters Tournament. I also want to congratulate you on solidifying your self as one of golf's greatest practitioners and final round closers.
- It must have been great to receive the green jacket from your close friend and last year's winner Tiger Woods.
- I am sure you are going to be in the Washington area, the week the Kemper Open is played at Avenel (June 4-7). I would like to invite you and your family to the White House when you are here.

- Hillary and I send our congratulations and our best!

CONTACT PERSON AND

TELEPHONE NUMBER: Mark O'Meara (407) 876-0848 - home
Peter Malik, Agent (IMG) 216-522-1200 - office

DATE OF SUBMISSION: April 13, 1998

THE WHITE HOUSE
WASHINGTON

April 13, 1998

'98 APR 13 PM2:42

RECOMMENDED TELEPHONE CALL

TO: Jack Nicklaus (PGA Tour Player)

DATE: Monday, April 13, 1998

RECOMMENDED BY: Gene Sperling
Rahm Emanuel

PURPOSE: To congratulate Jack "the Bear" Nicklaus on a tremendous showing in the 1998 Masters, his 40th Master's tournament.

BACKGROUND: Jack finished four strokes behind winner Mark O'Meara, at 5-under 283, tied for sixth place. Nicklaus, 58, became the oldest player to ever finish in the top ten.

In 1963, Jack Nicklaus, 23, won his first Masters Title and became the Tournament's Youngest Champion at the time. In 1986, Jack became a six-time Masters Champion at age 46, the oldest to win. Jack's other Masters victories were in 1963, 1965, 1966, 1972 and 1975. One of Jack's greatest Master's moments was when he successfully defended his tile in 1966 by winning in a three-way playoff. Jack is also the youngest second-time winner ,1965, where he won with a record score of 271 (tied by Raymond Floyd in 1976) and a then record nine stroke winning margin. He is also the youngest three-time and four-time winner at the Master's. Runner-up in the Masters in 1964, 1971, 1977 and 1981. Jack has won four US Opens - 1962, 1967, 1972, 1980; five PGAs - 1963, 1971, 1973, 1975, 1980; and three British Opens - 1966, 1970, 1978. Jack has also been a member of six Ryder Cup Teams, Captain in 1983 and 1987. He is also the recipient of the 1975 Bob Jones Award presented by the USGA for 'distinguished sportsmanship in golf.'

TOPICS OF DISCUSSION:

- I would like to congratulation you on completing you 40th Master Tournament and becoming the oldest player to ever finish in the top ten.
- I want to also congratulate you on being honored, April 7, 1998, with a plaque that will be permanently affixed to the fountain between holes No. 16 and 17 in recognition of his play and for his contributions at the Masters.

- Please give my best to Barbara and your family.
- Hillary and I send our congratulations and our best!

CONTACT PERSON AND

TELEPHONE NUMBER: Marilyn Keough, Agent (561) 626-3322 - office

DATE OF SUBMISSION: April 13, 1998

Dear Clinton
You are my favorite
presiten.

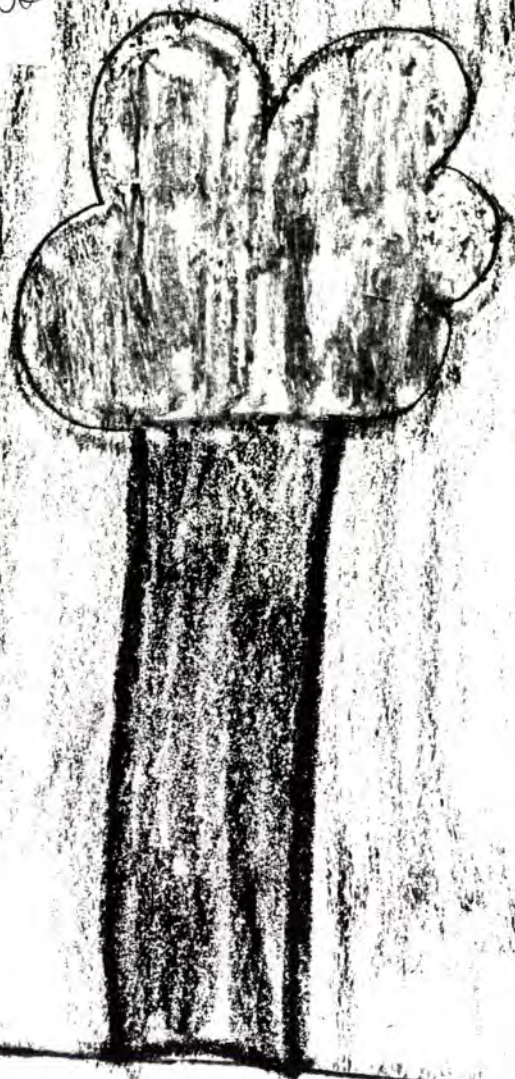
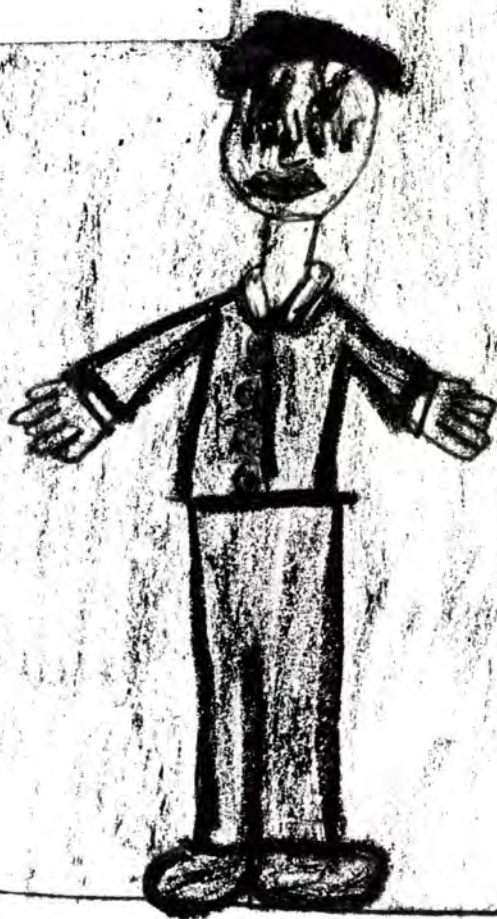
To: Clinton

From
Room 234

From: Jeanette
Gonzalez

4-13-95
will send to
Burkhardt to
Reply after you
have seen. OK
Del

Bill
Clinton →



MALACAÑAN PALACE
MANILA

4-13-98

10 April 1998

✓
Excellency,

I wish to extend, on behalf of the Philippine Government and the Filipino people, our heartfelt sympathy and condolences to Your Excellency and the American people for the loss of many precious lives, numerous injuries and wanton destruction of valued properties caused by the series of tornadoes which swept across Mississippi, Alabama, the Carolinas and Georgia last Wednesday night, 8 April.

We are one with Your Excellency and all Americans in prayers and in the hope that the victims' families and survivors can fully recover soonest from this tragic event.

Please accept, Excellency, the renewed assurances of my highest esteem and consideration.



His Excellency
William Jefferson Clinton
President of the United States of America
The White House, Washington, D.C.

TO NSC FOR
REPLY ?

yes

no

MALACAÑAN PALACE

**His Excellency
William Jefferson Clinton
President of the United States of America
The White House, Washington, D.C.**

MALACAÑAN PALACE
MANILA

4-13-98

10 April 1998

✓
Excellency,

I wish to extend, on behalf of the Philippine Government and the Filipino people, our heartfelt sympathy and condolences to Your Excellency and the American people for the loss of many precious lives, numerous injuries and wanton destruction of valued properties caused by the series of tornadoes which swept across Mississippi, Alabama, the Carolinas and Georgia last Wednesday night, 8 April.

We are one with Your Excellency and all Americans in prayers and in the hope that the victims' families and survivors can fully recover soonest from this tragic event.

Please accept, Excellency, the renewed assurances of my highest esteem and consideration.



His Excellency
William Jefferson Clinton
President of the United States of America
The White House, Washington, D.C.

TO NSC FOR
REPLY?

yes

no

✓

✓ Tab C - copied Reed, Kagan, Bowles

✓ Tab D - copied pages 3 & 4 to
Sperling, Bowles ~~to Berger~~

✓ Tab E - copied pages 1 & 2 to ^{with}
McIntyre, Bowles _{help slip}

✓ Tab F - copied page 1 to Stern,
Bowles

✓ Tab G - copied VP, Jones & Bowles TAB G - all of memo
Stern

✓ Tab H - copied pages 1-4 to
Echaveste, VP, Bowles

~~to~~ ^{to} ~~copy~~ copied page 3 to Emanuel

○ ✓ Tab I - copied Ibarra, Bowles
~~to~~ ^{via}

✓ Tab J - copied Winston, Bowles,
Matthews

✓ Tab K - copied ~~pages~~ ^{whole report}
~~2, 4, 7, 9, 11~~ to
Marshall, Bowles

✓ Tab L - ~~copied~~ ^{whole report} pages 1-5
to Smith, Bowles
P.S. & Products

Tabc

THE WHITE HOUSE
WASHINGTON

April 10, 1998

Copied to
Reed
Kagan
Bowles

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Crime -- School Violence Report: This weekend, DOJ's Bureau of Justice Statistics and Education's National Center for Education Statistics will release a joint report comparing school crime in 1989 and 1995. The report is based on interviews with a nationally representative sample of approximately 10,000 students ages 12 to 19. It found that the overall level of victimization in schools in 1995 was similar to that in 1989 (14.6% versus 14.5%), violent crimes increased slightly (from 3.4% to 4.2%), and property crimes decreased slightly (from 12.2% to 11.6%). The overall availability of drugs increased slightly (from 63.2% to 65.3%), with marijuana remaining the most readily available drug -- and 6% more students reporting that it was easy to obtain (from 30.5% to 36.4%). The number of students reporting gangs in their schools increased dramatically (from 15.3% to 28.4%).

The report found that, as compared to their private school counterparts, public school students were twice as likely to report being a victim of violent crime in 1995 (4.4% versus 2.3%), more likely to report the availability of drugs in their schools (67.2% versus 48%), four times more likely to report the presence of gangs in their schools (30.6% versus 6.8%), and three times as likely to have known or seen another student who brought a gun to school than were private school students (13.6% versus 4.4%). In all these areas, the gap between public and private schools has widened dramatically since 1989.

2. Crime -- COPS: On April 16, the COPS office will announce grants for \$52.8 million to fund 840 new and redeployed officers. The grants will be awarded to 145 law enforcement agencies across the country. Thursday's announcement will bring the total number of officers funded through the COPS program to over 73,000.

3. Welfare Reform -- Survey of Businesses: The Welfare to Work Partnership just released the results of the first in a series of surveys conducted by the Wirthlin group of 400 of the Partnership's 3,200 business partners. Governor Carper, who co-chairs the Partnership's National Advisory Council with Governor Thompson, announced the results of the survey in an interview with NPR on Thursday. The survey found that 79% of the businesses interviewed expect to hire someone off welfare this year, 76% of those who have hired welfare recipients found their new

4-13-88

hires are good, productive employees, and 72% of welfare recipients are getting full-time jobs with medical benefits. Welfare recipients have retention rates at least as high as other new hires: Companies such as United and Burger King say that the turnover rate for welfare recipients is half that of other employees. The survey found that 12% of small companies and 31% of large companies are using the Work Opportunity Tax Credit or the Welfare-to-Work Tax Credit. More than half of the companies consider employee transportation a problem, with more than a third saying it's a serious problem. Frequently cited problems were that welfare hires could not afford a reliable car and that public transportation does not run near the company or during the hours needed.

✓ **4. Community Empowerment – Community Reinvestment Act (CRA):** We are working with the NEC and Treasury on a stealth initiative that would build on your reform of CRA. H.R. 1151, the Credit Union Membership Access Act, includes a provision that would apply CRA-like requirements to credit unions. The bill requires that all insured credit unions have "a continuing and affirmative obligation to meet the financial services needs of persons of modest means," and requires the National Credit Union Administration to prescribe criteria to insure that all credit unions are meeting this obligation. We are maintaining a low profile on this issue for fear that Republicans will strip the provision from the bill should it be tied publicly to CRA. However, if this provision passes Congress intact, it would be the first expansion of CRA-like requirements since the law was enacted in 1979.

✓ **5. Health Care – Patients' Bill of Rights Update:** Following the introduction of the Democratic patients' bill of rights legislation, the American Medical Association board unanimously endorsed the Democratic bill and committed to working for its enactment this year. Unlike the tobacco legislation, the patients' bill of rights has much greater support in the House than in the Senate. Despite this fact, the House Republican leadership is sending signals that they want to delay this legislation as long as possible. We are developing a legislative and communications strategy to try and expedite their action to introduce a bill sometime in May. We will work with the AMA and Congressman Ganske (who has indicated he will cosponsor the Democratic bill) to attract as many Republicans co-sponsors as possible to the Democratic legislation. While we are hopeful that we can attract Republican co-sponsors, we believe that it may be necessary to do more public events to apply additional pressure to the House. We are trying to meet with Representative Hastert, the Gingrich-appointed chair of the House Republican Task Force on Quality, to encourage him to expedite the Republican House bill and let him know that you will not let this issue go away and want to work together to get it done.

W **6. Health Care – Medicare Fraud Update:** In response to unprecedented efforts at the Justice Department and HHS to crack down on fraud and abuse, health care providers, and in particular hospitals, are raising major objections to what they believe to be overly aggressive enforcement activities. To address these concerns, the Justice Department has agreed to stop letters that hospitals find threatening. However, they are rejecting the American Hospital Association's request to slow down their enforcement activities in this area. Ironically, some of the same Hill members who complained a few years ago that the Administration was not doing

enough to fight fraud and abuse, are now complaining that we are acting too tough in this area. Nonetheless, an Inspector General's report to be released later this month will cite that, while the Administration is doing a better job of fighting fraud and abuse, there are still significant overpayments in the Medicare program. We are working to see if we can release a regulation around the time of the report that rewards Medicare beneficiaries who report fraud and abuse. While we do not intend to back down with regard to enforcement activities, we will indicate that we will be sensitive to concerns about process.

7. Health Care -- Missouri Medicaid/Children's Update: As you know, Governor Carnahan has expressed his frustration that HHS is not moving fast enough on both Missouri's children's health insurance program and 1115 Medicaid waiver. In fact, he has been asking for meetings with the Vice President on this issue. These negotiations have been complicated by the fact the Missouri has continued to rely on what appear to be illegal provider taxes. We believe that we are close to resolving the provider tax issue as well as a host of other outstanding issues. Governor Carnahan is scheduled to meet with Secretary Shalala next week and at that meeting, or before, we hope to have all of these issues surrounding their application resolved.

8. Children and Families -- Vice President's After-School Teleconference: On Thursday, April 16th, the Vice President and Secretary Riley will hold a national teleconference on the importance of providing after-school opportunities for school-age children. Reaching over 300 downlink sites in communities across the country, the teleconference will focus on model programs and new resources from local, state and federal agencies, including the 21st Century Community Learning Centers program. Senator Jeffords will also participate in the event.

9. Tobacco -- Cigar Study: NCI released a study today which shows that daily cigar smoking can be just as lethal as cigarette smoking, causing cancer of the mouth, throat, larynx, esophagus and lung. Regular cigar smokers who inhale have 27 times the risk of oral cancer (compared to non-smokers), 53 times the risk of cancer of the larynx, and double the risk of chronic pulmonary disease. The report concluded that cigars are not safe alternatives to cigarettes and may be addictive.

According to the report, three-quarters of cigar smokers smoke only occasionally, and the majority do not inhale. (The risks of occasional cigar smoking -- less than daily -- are not known). Since 1993, cigar sales in this country have increased by 50 percent, reversing a 20-year decline in cigar smoking. Most of the increase is among teenagers and young men. One Massachusetts survey found that 3.2 percent of sixth graders had smoked a cigar in the last month, rising to 30 percent in high school.

The McCain bill provides the FDA with the authority to regulate all tobacco products -- including cigars. However, the FDA would first need to provide scientific evidence that cigars are addictive, and that evidence does not yet exist.

transactions into "electronic dossiers." Options being discussed include: strengthening industry self-regulation; supporting legislation that protects privacy in a particular sector (e.g. medical records); and creating a privacy "entity" within the federal government that plays a coordination and advocacy role. This is a complicated issue - since privacy must also be balanced against law enforcement, First Amendment, and commercial considerations.

gord **Child Labor - Santiago:** Your upcoming Santiago trip (4/15- 4/19) is another opportunity for you to promote your international child labor agenda, call for contributions from other nations, and energize domestic support for your budget request for \$30 million for IPEC. The NEC is working with Labor and AID to prepare an announcement of a \$2 million initiative to combat child labor in Central America. The initiative will include \$1 million in IPEC funds and \$1 million in AID funds. The funds will support a survey and database on child labor in Central America, as well as a series of demonstration projects to explore approaches to removing children from hazardous work (e.g., shellfish harvesting in El Salvador, sugar cane plantations in the Dominican Republic, child prostitution in Costa Rica, and exploitation of girls at bus stations in Nicaragua). Special emphasis will be given to a Guatemalan project aimed at the complete elimination of child labor in two sectors -- fireworks manufacture and stone quarries -- and producing a successful model that can be emulated throughout Central America.

Santiago Trade: There is now widespread support for a strong and comprehensive launch of negotiations toward the Free Trade Area of the Americas (FTAA) at the Santiago Summit of the Americas, including the creation of a consultative group on labor and the environment. Inevitably, the press will be looking to write about the impact of our fast track loss on the hemispheric trade agenda. Against that backdrop, we believe you should be very forward leaning on trade. We have made tremendous progress on the FTAA and secured our highest priorities even without fast track. Going forward, the tremendous opportunities in the hemisphere make the case for fast track more compelling than ever.

Japan: As you know, Prime Minister Hashimoto unveiled plans on Thursday (4/9) for additional temporary income-tax cuts totaling four trillion yen (\$30.5 billion) and fresh government spending of six trillion yen. Although the package was slightly larger than expected and represented an important and politically difficult shift for Prime Minister Hashimoto, Treasury believes it will not likely produce a decisive upturn in Japan's economy. If implemented quickly, it should help avoid a more serious decline, but both we and financial markets eagerly await more details on the package. Hashimoto also said he would ask a special advisory committee to consider revising Japan's budget-deficit control law, which he must do to increase spending and reduce taxes. Publicly, we are stating that we welcome the announcement and look forward to seeing more details. We are emphasizing that it is crucial for Japan put in place a strong program. Secretary Rubin also stated Thursday (4/9) that we shared Hashimoto's concern about recent weakness in the yen, and welcomed the intervention by Japanese authorities to support the value of the yen. The U.S. government did not intervene.

U.S. France Civil Aviation Agreement: On Wednesday (4/8), U.S. negotiators concluded a new civil aviation agreement with France that will significantly increase air service between our countries and choice for American business travelers and tourists alike. This is our third largest

Copied
Bawle
Speiler
Burger

market in Europe. Until this week, it was also our largest aviation market not governed by a bilateral agreement. The lack of such an agreement since France renounced our prior agreement five years ago has stifled U.S. carrier operations and market growth. The new agreement will eliminate all restrictions on airline operations between the United States and France in five years. It gives U.S. airlines extensive rights during the transition period that will enhance their ability to compete in this market (increased routes, broad ability to codeshare, pricing freedom).

American Airlines had expressed concern about the terms on which it would have to move from Orly Airport (which will be restricted to shorter flights) to Charles de Gaulle, but we worked with U.S. negotiators to obtain a commitment from the French Government that American would receive the best possible conditions in their new location.

DOT Competition Guidelines: As you know, Secretary Slater this week announced proposed guidelines designed to discourage the major air carriers from predatory pricing designed to drive new low-fare carriers out of the majors' hub markets. OMB and NEC staff held up an earlier draft of the guidelines (which, unfortunately, was leaked to the *Wall Street Journal*), not because of any substantive disagreement but to make it more understandable to non-economists and less vulnerable to attack. The revisions helped: although the majors, predictably, charged DOT with "reregulating" the airline industry, the guidelines attracted a good deal of primarily positive press coverage.

U.S.-EU Trade Initiative: On Wednesday (4/8) the NEC deputies working group met to review interagency thoughts on a U.S. proposal. The working group continued exploratory discussions through out the week with their EU counterparts. The NEC deputies will meet next week to finalize a U.S. proposal, which will then be subject to NEC Principals and your review.

Sanctions: An NEC/NSC working group met this week to: 1) develop an Administration position toward Hamilton-Lugar legislation seeking to improve Congressional and Administration processes toward sanctions decision making; and 2) improve data and analysis in connection with consideration of sanctions on Nigeria. NEC Deputies will meet next week to consider the legislation and a business community challenge to a Massachusetts sanctions law, in which the federal government may be asked to intervene.

Copied to
- Bowles
Spertling
Berger



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

April 9, 1998

4-13-98

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
FROM: KATHLEEN A. MCGINTY
SUBJECT: CEQ WEEKLY REPORT

Copied to
McGinty
Bowles

PROTECTING COMMUNITIES FROM TOXICS

Napalm Shipments from California to Indiana

The Department of Navy is still delaying shipment of twenty tons of napalm from Camp Pendleton Marine Base in California, awaiting confirmation of PCB decontamination at the East Chicago, Indiana, waste disposal facility where the napalm is to be recycled. The disposal facility has yet to provide EPA the documentation needed to establish that the PCBs, which it unlawfully received last fall, will not be mixed with the napalm. The Navy is under pressure in California to begin the shipments, while environmental groups in the Chicago area are raising strong concerns, including environmental justice issues. The shipments would continue until 2000. We are working with the Navy and EPA to (1) ensure that no napalm is shipped until EPA is satisfied that the PCB decontamination is complete; and (2) provide the affected communities with information and assurances that safety measures are in place.

Pesticide Directive

Yesterday, the Vice President issued a memorandum to the EPA and USDA regarding implementation of the Food Quality Protection Act (FQPA). The memo clarifies the rules of the road, ensuring that FQPA decisions incorporate sound science, transparent decision making, input from the affected public, and smooth transition rules for agriculture. The memorandum also clarifies that no major decisions are expected in this growing season. The directive was extremely well received by the agricultural community and concerned Members of Congress. Environmentalists, while not enthusiastic, have not been highly critical. Attached is an article from Wednesday's New York Times.

RESOURCE STEWARDSHIP

American Heritage Rivers

This week we announced the selection of 12 citizens to serve on the advisory panel for the American Heritage Rivers initiative (see attached list). As you know, we received 126 nominations, twice the

4-13-98
number we anticipated. The nominations, from 46 states, are a testament to the spirit this initiative has tapped. The advisory panel is scheduled to meet on May 11 and 12. Shortly thereafter, it will recommend to you 10 - 20 rivers from which you will select 10 as American Heritage Rivers.

Endangered Species Act

You will recall that, while the bi-partisan bill to reauthorize the Endangered Species Act was marked up in the Senate Environment and Public Works Committee last fall, the Majority Leader has prevented the bill from going to the floor. This week, we received a new proposal from the majority. We are engaging in renewed discussions with majority and minority staff to determine whether there is a real chance to move forward. One remaining obstacle is identifying an acceptable dedicated source of funding for landowner incentive programs.

INTERNATIONAL LEADERSHIP

Northern Right Whales

An issue that may come before the International Maritime Organization (IMO) when it convenes this summer is protection of the endangered northern right whale from shipstrikes. NOAA (with the support of State, EPA, and Commerce) had sought to propose a mandatory ship reporting system to track ships entering whale habitat and alert them to the presence of whales. The Navy opposed the idea however, saying it would undermine our position on freedom of the seas. CEQ will continue to work closely with the NSC, NOAA and the Navy on a plan the Navy has proposed that would combine mandatory routing (designating shipping routes through whale habitat) with voluntary reporting. Mandatory routing is acceptable to the Navy and, coupled with voluntary reporting, may provide adequate protection. We must finish this process by April 20 in order to table it in a timely fashion at the IMO.

Attachments

Copied to
McCrink
Bowles

THE WHITE HOUSE
WASHINGTON

April 9, 1998

98 APR 9 PM 7:40

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

4-12-98

Copied to
Stern
Bowles

Communications

In appearances on *Larry King Live* and the *NBC Nightly News*, Dr. James Baker, NOAA Administrator, very effectively delivered the message that this winter's record-breaking El Nino provides a preview of the extreme weather we can anticipate in the warmer, wetter world that climate change is predicted to bring. The two-minute NBC segment was among the best climate change coverage we have received (see attached transcript). Via satellite, Dr. Baker also taped interviews with 15 of the weather casters who visited the White House last fall at 15 stations in areas hard hit by El Nino. Three of those interviews have aired so far (in Boston, Washington and Jacksonville), more are expected to air soon. Stories also were carried by *Associated Press* and *Reuters*.

Congressional Situation

Our climate change legislative activity for the week focused on our technology initiatives in the budget. We face a tough battle on these priorities, and in our various meetings with friends on the Hill and outside environmental and energy groups we are hearing a frequent refrain -- that the Administration is not making the climate change technology initiative portions of our budget a high enough priority. All concerned believe that we can win support for our energy efficiency and renewable energy provisions if we fight hard enough, especially since we have a strong message that these items are important not just from a climate change perspective, but because they make independent economic and environmental sense. We will continue to carry this message to the Hill, focusing on relevant Appropriations Committee members.

Diplomatic Situation

Summit of Americas. We continue to try to shape a strong climate change message for your Santiago trip. Mack is actively pursuing a bilateral declaration that would include a Chilean statement that developing countries should take on emissions targets. At this point success is uncertain. In addition, as a result of U.S. efforts, the Inter-American Development Bank will announce a pilot program to explore what role the IDB could play in implementing the Clean Development Mechanism.

Canter
do an
update
to
Stern
Bowles



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

Page 100 10 000183

April 10, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: KERRI-ANN JONES
CC: ERSKINE BOWLES
SUBJECT: OSTP WEEKLY REPORT

4-13-98
copied
VP
Jones
Bowles
Sterin

SCIENTISTS PROTEST DECEPTION BY CLIMATE CHANGE SKEPTICS

This week, *Science* magazine (article attached) will report on the outcry from hundreds of scientists who received, under a cover letter from Frederick Seitz (a former president of the National Academy of Sciences and of Rockefeller University), a paper critical of consensus climate change science and a petition for their signature urging lawmakers to reject the Kyoto treaty (copy attached). The paper "appears" to be a reprint from the prestigious *Proceedings of the National Academy of Sciences*. In fact, it is not a peer-reviewed article at all, and many describe it as "full of half truths." The Union of Concerned Scientists and the Sierra Club have mounted a Web-based counter campaign.

MEDIA GIVES MAJOR PLAY TO ADMINISTRATION'S CLIMATE CHANGE MESSAGE

OSTP worked closely with CEQ and NOAA to craft the climate change message and assemble background information for a very successful round of major media coverage earlier this week featuring Jim Baker. The print press carried stories based on these interviews and a special El Nino weather summary issued by NOAA. The message was straight forward: a climate-changed world will resemble an El Nino world. This year's weather is consistent with a worldwide trend toward warmer, wetter, and more severe weather and is a taste of what we can expect to experience more frequently as climate changes.

STUDY ON ENDANGERED PLANTS REINFORCES PCAST RECOMMENDATIONS

The first comprehensive look at the conservation status of plants, the *Red Book of Threatened Plants*, was released Wednesday at a Smithsonian event. The data show almost one-eighth, or 34,000, of the world's plant species are "at risk" of extinction. Too often we envision "charismatic" animals when thinking about threats of extinction, while neglecting economically and environmentally valuable plant life. This 20 year collaborative effort among scientists and conservationists around the globe is an important step toward protecting plant biodiversity by identifying what we have and where the risks are. The United States is among the five countries with the greatest proportion of flora at risk -- in part because plants in this country are better known than in many areas of the world. Your Committee of Advisors on Science and

cc: VP
KX
Manduca
needs a
web page
campaign
to urge on
all interested
people to write
members of
Congress to
support the
our climate
change
parade

SEVP
we need
an
implementation
strategy
on
risk

4-13-95

Technology (PCAST) recently completed a report recommending specific steps toward conservation, management, and use of our natural capital. A central theme of PCAST's report is that new technology -- from gene sequencers to advanced information systems and global satellites -- can provide us with the tools of discovery and the techniques of analysis that will catapult us into position to meet the challenges of 21st century environmental and economic policy planning at modest cost.

NSTC TAKES ON CRITICAL INFRASTRUCTURE PROTECTION R&D

critical
infrastructure
protection
R&D
agenda
NSTC
working
group

NSTC's Critical Infrastructure Protection R&D working group has met twice since it was established at the end of March. The overarching objective of the working group is to develop and coordinate a Federal government critical infrastructure protection R&D agenda. The agenda will be integrated into the Federal government's overall critical infrastructure protection program, and will encourage the development and fielding of advanced technologies to further protect our critical infrastructures. In particular, the agenda will identify R&D areas requiring additional focus and resources. A key element of the working group's activities will be to develop proposals to establish a partnership among the government, private sector, and academia for critical infrastructure protection R&D.

SCIENCE

CLIMATE CHANGE: Advocacy Mailing Draws Fire

In early March, tens of thousands of U.S. scientists received a bulk-mailed letter from Frederick Seitz, a former president of the National Academy of Sciences (NAS) and of Rockefeller University in New York City. It invited them to sign an enclosed petition urging lawmakers to reject the 1997 Kyoto climate treaty (Science, 19 December 1997, p. 2048), which awaits approval by the U.S. Senate.

The substance of the mailing might have attracted little notice in the flurry of position papers that the treaty has spawned. But some scientists and environmentalists are crying foul because its centerpiece is an article that looks like--but is not--a reprint from the Proceedings of the National Academy of Sciences. "The mailing is clearly designed to be deceptive by giving people the impression that the article, which is full of half-truths, is a reprint and has passed peer review," says Raymond Pierrehumbert, an atmospheric chemist at the University of Chicago.

The eight-page review article concludes that predictions of global warming "are in error" and that rising levels of carbon dioxide in the atmosphere are "a wonderful and unexpected gift from the Industrial Revolution," because they have produced "an increasingly lush environment of plants and animals." Its co-authors are chemist Arthur Robinson of the Oregon Institute of Science and Medicine in Cave Junction; Robinson's 22-year-old son, Zachary; and astrophysicists Sallie Baliunas and Willie Soon of the George C. Marshall Institute, a Washington, D.C., think tank and vocal critic of any government efforts to curb greenhouse gas emissions.

Pierrehumbert says he became concerned when a colleague, confused by Seitz's affiliations, called to ask whether the academy had indeed taken a stand against the Kyoto treaty. The call moved Pierrehumbert to post an e-mail harshly criticizing the mailing to several scientific mailing lists. He was not the only scientist angered by the faux reprint. "We've gotten several hundred calls from scientists asking what we are going to do about this," reports Darren Goetze of the Union of Concerned Scientists (UCS) in Boston, an advocacy group that last year signed up 1558 scientists in urging the federal government to take action on global warming. Officials at the Sierra Club and the NAS say they, too, have gotten a flurry of complaints. Researchers "are wondering if someone is trying to hoodwink them," says atmospheric chemist F. Sherwood Rowland, NAS foreign secretary.

Robinson admits it is no coincidence that the article, which he designed on his computer, looks like one published by the academy. "I used the Proceedings as a model," he says, "but only to put the information in a format that scientists like to read, not to fool people into thinking it is from a journal." He says he plans to submit a version shortly to a peer-reviewed journal.

Robinson says he didn't want to wait for formal publication of his article, for fear that the Senate might vote on the Kyoto treaty before he could distribute his petition. The goal, he says, is to counter the perception created by the UCS petition and other statements that there is a scientific consensus in favor of the Kyoto treaty. "Scientists who have spoken out [against the treaty] keep getting marginalized as nuts. I want to demonstrate that there is no consensus," he says. Critics are attacking his mailing's style, he believes, to sidestep a debate on its scientific substance.

Robinson says his petition has gathered 15,000 signatures. But Pierrehumbert and others say that Robinson's views on climate change are suspect, because he has never published research in the field.

Volume 280, Number 5361 Issue of 10 April 1998, p 195

©1998 by The American Association for the Advancement of Science.

Tab 1+
30 100 100 100

THE WHITE HOUSE
WASHINGTON

4-13-98

April 10, 1998

Copied to
Echaveste
VP
Bowles

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE *ME*

SUBJECT: OPL WEEKLY REPORT April 4- April 10

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

✓ **Northern Ireland.** Irish Americans are delighted with the positive news on an agreement from the cease fire negotiations and thank you for your leadership on this issue. They believe that the only reason that these negotiations have succeeded is because of your leadership. They are also planning to be as supportive as possible while we wait for the referendum.

✓ *need a push on this Africa Bill*
Africa Trip. Your Africa trip continues to generate positive coverage in the African-American community nationwide. Tom Joyner has been running positive stories on his show the entire week. His show is heard on 95 radio stations and reaches six million listeners. Jet Magazine's coverage of the trip will appear in the next issue which will be released Monday. You will be pleased to note that the magazine is almost entirely dedicated to your trip. They reach one million subscribers per week. Additionally, we worked with NSC to coordinate a de-briefing reception hosted by the Constituency For Africa to celebrate your visit to Africa. Over 300 organizational representatives were present. Ambassador Joe Wilson and Congressman Donald Payne encouraged the audience to lend their support for the Africa Trade Bill.

✓ **Social Security Forum.** The key senior groups were pleased with your presentation in Kansas City, but did express concern with the amount of time the forum devoted to the issue of privatization. Many of the groups, including the National Committee to Preserve Social Security, Older Women's League, National Council of Senior Citizens, and some of the labor retirees incorrectly inferred that you took revenue increases off the table. We clarified your statement that you know of no plan that would immediately call for increasing the payroll tax rate beyond 12.4%. AARP was delighted with the event and the great press the forum generated. NEC and OPL will continue our monthly Social Security meetings with the aging groups.

✓ **Tobacco.** Reactions from your roundtable with tobacco farmers was great! The public health advocates were pleased with the strength of your comments on public health and the ag groups pleased with your not giving up on the farmers. An overall strong show for tobacco and family farmers.

4-13-95

copied
Echaves
mathe
VF
Bowie

CONSTITUENT OUTREACH AND OTHER ISSUES

AFRICAN AMERICAN OUTREACH

- Theresa
We're Blue
- **Black Farmers.** The Justice Department issued a ruling that hundreds of black farmers are ineligible for cash payments for past government discrimination because of statute of limitations problems with the cases. The ruling was not unexpected. The CBC was notified about the ruling through a series of meetings. Additionally, we met with the leaders of the black farmer movement to go over legislative strategy aimed at waiving the 2 year statute of limitations for the farmers, enabling them to receive money if their claims against the Agriculture Department are proven true. As you are aware, the farmers have filed a class action suit against the government. They recently petitioned the United Nations for redress in this matter.

- ✓
- **MLK.** We worked with several White House offices to facilitate your call to Mrs. Coretta King regarding reopening the investigation into her husband's death. Mrs. King, along with Andrew Young and Dexter King, met with the Attorney General on Wednesday. On a related issue, Dick Gregory and others are said to be fasting until J. Edgar Hoover's name is removed from the FBI Building. Rev. Billy Kyle was pleased to receive your message related to the 30th Anniversary of King's Assassination. The message was read to the assembly at Mason Temple, the site of King's mountain top speech.

ETHNIC OUTREACH

- ✓
- **Arab Community Center for Economic and Social Services (ACCESS).** Last week I spoke to the largest Arab American gathering in the country, the annual ACCESS dinner in Detroit, MI. It honors the community, civic and social services that ACCESS provides to the Detroit community. While they were grateful that the Administration was represented, many expressed the view that the Administration is not sensitive enough to Arab issues. They point to the upcoming celebration of the 50th anniversary of Israel. For many, this is a painful reminder of a time when many of their ancestors were made refugees in their own homeland. They hope for balance in recognition of this anniversary especially since the Peace process shows no signs of movement.

RELIGIOUS OUTREACH

- **Communion.** It has become clear that those Catholic leaders who continue to be critical of your receiving of communion in South Africa are doing so for their own agendas.
- **Wolf/Specter.** NSC and State are working with other affected agencies to suggest a position on the Nickles alternative, as well as determining legislative strategy.

JEWISH OUTREACH

- **Jewish Groups and the Peace Process.** In an embarrassing display of disunity and lack

of consensus, several distinct letters to the President were crafted and sent around the Hill regarding the Middle East peace process. Several news sources have reported that AIPAC started the letter campaign independent of other pro-Israel Jewish organizations. The ensuing chaos and criticism of AIPAC by other national organizations demonstrates the lack of agreement among Jewish groups as to how America can best aid the flailing peace process.

Manufacturing Uzis in the US. An Israeli company plans to set up a plant in the United States to manufacture Uzi submachine guns, in an effort to sidestep a new order issued by President Clinton banning the import of such weapons. The Israeli daily Ha'aretz reported that the factory would be jointly run by Israel Military Industries and an American manufacturer. The report said that the Israel and U.S. firms established a relationship two years ago to jointly market the Uzi.

HISPANIC OUTREACH

Puerto Rican Political Prisoners. Prolibertad presented petitions to free Puerto Rican Political Prisoners. Prolibertad, a NY based Puerto Rican organization lobbying to free the Puerto Rican Political Prisoners, met with Counsel's Office, Intergovernmental Affairs, and OPL to deliver sample petition cards to free these political prisoners. Counsel's Office is awaiting the Department of Justice's recommendation to you on this matter.

Late Amnesty and Section 377. We and DPC met with immigrant advocates involved in litigation for over 10 years arising out of INS's wrongful denial of applications for amnesty during the 1986 amnesty program. When the courts determined that INS acted wrongfully, INS took the position that there was no remedy and has continued to fight all efforts to find a remedy for almost 350,000 who were denied the right to apply for amnesty. Compounding the problem now is Section 377 of the 1996 immigration law which limits judicial review of these cases. Accordingly, the advocates urge an administrative resolution. We will continue to monitor this situation.

WOMEN'S OFFICE OUTREACH

- Child Care Coalition.** The Women's Office met with representatives from the YMCA, YWCA, Boys Club, Girls Club, Big Brothers, Big Sisters, Salvation Army and Red Cross regarding child care. The coalition is planning meetings with members of Congress at the grassroots level during the recess. The groups are extremely committed to raising the visibility of child care again. Their main concern is that there is much confusion in the field inasmuch as there is no clear bill to support.

BUSINESS OUTREACH

- Scrap the tax code.** As we mentioned in our January 10th weekly report, an alliance of small business organizations, headed by NFIB, will be hosting a "scrap the tax code

Copied
Echaveste
up
Sawles
Emanuel

cc: Palm
can we do
anything
to help
the
people
in the
field

try to send

can we
do anything
about this

4-13-19

✓ summit" June 17-19, here in Washington. Our small business friends believe that your speech last month to the mortgage bankers, which cautioned against doing anything with the tax code during such strong economic times, has had some real traction. Since that speech, we understand that the organizers of the summit have been frustrated by their inability to gain additional co-sponsors to legislation they are supporting. There is a core group of moderate members in congress that the NFIB can usually count on to support an effort such as this one who are not yet taking a position. Your pre-emptive remarks on the subject is the reason these members are not getting involved.

ASIAN AMERICAN OUTREACH

- ✓ • **Japanese Latin Americans.** We continue to talk with groups representing Japanese Latin Americans about their redress claims. The Federal Claims Court judge indicated that he would like the Justice Department and the plaintiffs to try to find some way to work out their concerns. The judge is set to make a decision on April 13th.

HEALTH CARE

- ✓ • **AHA.** The American Hospital Association and the California Hospital Association are very pleased with the Administration on the recent announcement of our approval of QUIMBY by OMB. For the state of California, this is \$250 million dollars for California state hospitals.
- **Kick Butts Day.** Results from Kick Butts Day were enormously successful thanks to the efforts of the White House: 400 events were held including at least one in every state, a five-fold increase over the events held last year; media coverage on all major TV networks, print, and national and local radio; representatives from 17 Federal agencies participated in the activities.
- **Smokeless Tobacco.** The Smokeless Tobacco Campaign was thrilled with the participation of Secretary Shalala on the opening day of baseball and an announcement with Baseball Executives. The story made the cover of "Baseball Weekly" entitled "Baseball's War on Tobacco."

RURAL AMERICAN

- **Food Quality.** The Vice President's announcement on Wednesday on the "Food Quality Protection Act" was well received by Agriculture groups. They are beginning to feel their concerns on environmental issues are finally being heard by EPA and CEQ. Again, a good show of support for farmers and agriculture from the Administration as shown by the Vice President's announcement and the President's roundtable with tobacco farmers.

cc: Erskine Bowles Rahm Emanuel
 Craig Smith Michael McCurry
 Doug Sosnik Gene Sperling

98 APR 11 4:32 PM

THE WHITE HOUSE
WASHINGTON

April 10, 1998

4-13 98

Copied to
Ibarra
Bowles

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *MI*

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- April 6 - 10, 1998

Race Initiative

Good
We have been actively working with governors and their offices on the YWCA "Statewide Day of Dialogue." Seventeen governors are committed to participate in the April 30 event. Many more governors and lieutenant governors are engaging the Race Initiative through other activities.

Intergovernmental Affairs, OPL, Legislative Affairs, PIR, and the Counsel's Office have coordinated to defuse a potential protest demonstration coinciding with your PIR/ESPN event in Houston on April 14. State Senator Mario Gallegos (D-TX), who was very upset with the White House process for selecting a nominee for the Federal bench in South Texas, will participate along with other local elected and community leaders in a meeting with you in Houston.

Governors

Governor Paul Patton (D-KY) was thrilled with the success of your trip to Kentucky on Thursday, April 9. The Governor said that he now "feels vindicated" for supporting you and the Vice President in 1996.

Governors Parris Glendening (D-MD) and Jim Gilmore (R-VA) have requested a meeting with you to discuss funding for the expansion of the Woodrow Wilson Bridge. We are working with their offices to secure a meeting with COS Bowles and OMB Director Raines to address their concerns.

Governors Roy Romer (D-CO), Tom Carper (D-DE), Lawton Chiles (D-FL), Zell Miller (D-GA), Frank O'Bannon (D-IN), Pedro Rossello (D-PR), and Howard Dean (D-VT) have requested a meeting with DCOS Podesta, OMB Director Raines and Bruce Reed on April 24, while they will be in Washington, DC for the National Governors' Association

*Support to
Germany*

4-13-98
Executive Committee meeting. They wish to discuss budget, tobacco, and ISTEA issues. We are pursuing this request with the appropriate offices.

- We facilitated a meeting for Monday, April 13, between Governor Mel Carnahan (D-MO) and HHS Secretary Shalala on Missouri's Medicaid waiver. Governor Carnahan is anxious to receive approval for his children's health waiver proposal. Following a conference call on Friday, April 10, between HHS and State of Missouri officials, it appears that an agreement will be reached.

Mayors and Municipal Officials

- Mayor Kurt Schmoke (D-Baltimore, MD) held a press conference on Thursday, April 9, regarding the HUD Inspector General's announcement to investigate the housing authorities in Baltimore, San Francisco, and New Orleans. Prior to his press conference, I spoke with the Mayor. His concerns have been shared with OMB Deputy Director for Management Ed DeSeve. This matter was referred to the President's Council on Integrity and Efficiency as a result of a letter of complaint from Congressman Elijah Cummings (D-Baltimore, MD).
- The Vice President is going to New Orleans on Thursday, April 16, to speak to the National Conference of Black Mayors.
- At the request of your friend, Judge Buddy Villines, Lynn Cutler met with representatives of the National Association of Regional Councils. They presented some impressive material on regional planning. We are connecting them with the Vice President's Community Empowerment Board.

Indian Country

We are working on several ideas for economic development in Indian country. One of them will be the first "Doing Business in Indian Country" conference. The planning group includes several federal agencies, and is the product of the White House Interagency Group on American Indians and Native Americans.

We received several calls from tribal leaders regarding pending tobacco legislation. There are moves to insert taxation on tribal lands into the legislation.

Insular Affairs

- Jeff Farrow, Co-Chair of the White House Interagency Working Group on Puerto Rico, chaired staff meetings with advocates of clemency for 15 residents of states of Puerto Rican origin convicted of crimes committed to encourage the granting of independence to Puerto Rico. Twenty-two thousand petitions from the New York region were delivered in

connection with one of the meetings. The Justice Department is reviewing the cases.

Resident Commissioner Carlos Romero-Barcelo (D-PR) is seeking support for legislation to enable the children of the Customs agent who was killed in an accident during your trip to the Virgin Islands in January to continue to attend a Department of Defense school in Puerto Rico.

Puerto Rico Governor Pedro Rossello (D) has accepted your invitation to join the Chile Summit delegation.

Guam Governor Carl Gutierrez (D) and U.S. House Delegate Robert Underwood (D) very much want you to visit the Territory -- on the Centennial of its acquisition by the U.S. -- on your China trip. They have consistently requested a stop during your Asian trips, noting that the Island generally feels ignored. We are exploring the possibility of a brief stop with White House Scheduling and NSC staff. Legislative Affairs and Political Affairs are supportive of this scheduling request.

Agency/Department Intergovernmental Affairs

- Larry Stein spoke to our regular meeting of the agency/department intergovernmental affairs representatives. He highlighted his role at the White House and presented an overview of the Administration's legislative agenda for the remainder of the 105th Congressional Session, in addition to emphasizing the important role of White House/interagency coordination in furthering the Administration's policy priorities.

Copied to
Sylvia
Bowles
Ibarra



ONE AMERICA IN THE 21ST CENTURY
The President's Initiative on Race

The New Executive Office Building
Washington, D.C. 20503
202/395-1010

Tab J
198 APR 10 04:23

MEMORANDUM FOR THE PRESIDENT

FROM: JUDITH A. WINSTON *Judith A Winston*
THROUGH: ERSKINE BOWLES
SYLVIA MATHEWS
DATE: APRIL 10, 1998
SUBJECT: PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT
APRIL 3 - APRIL 10

THE PRESIDENT HAS SEEN
4-13-98

Copied to
Winston
Bowles
Mathews

ADVISORY BOARD ACTIVITIES

Good
Campus Week of Dialogue. Close to 600 schools responded to our invitation to participate in the Campus Week of Dialogue from April 6-9 including universities both large and small, historically black colleges and universities, Hispanic serving institutions, tribal colleges, and community colleges. We are already beginning to receive feedback from the colleges and universities on the activities they held on their campuses.

Advisory Board Participation. Advisory Board members participated in a number of events at different college and university campuses. On April 8, Governor Kean hosted a town hall meeting at Drew University in which Angela Oh, Secretary Richard Riley, and Ted Carter, Deputy Assistant Secretary at Treasury participated. Close to 500 people attended the town hall meeting, including Congressman Donald Payne. On April 6, Linda Chavez Thompson and I participated in a town hall meeting at Howard University which was televised live by C-SPAN. Between April 3 and April 7, Angela Oh visited the campuses of the University of California at Irvine, Stanford, Yale, and Princeton to speak with students about the Initiative. On April 7, Governor Kean participated in a dialogue sponsored by several colleges in New York City. On April 8, Governor Winter engaged a group of students, faculty and community resource people about "Learning from our Past to Build a Better Future" at Mississippi Valley State University. On April 8, Dr. Franklin spoke with students at North Carolina Central University.

4-13-98

Cabinet Secretary Participation. On April 8, Attorney General Reno visited Temple University to support the Initiative's Campus Week of Dialogue effort. She conducted a "One America Conversation" with a diverse group of 30 students from Temple's College and Law School. Following the "One America Conversation," the Attorney General delivered a speech in the Law School to an audience of about 600 students, about 200 of whom were in the packed classroom in which she spoke; an additional 400 students saw her speech as it was simulcast to other law school classrooms. In her speech, the Attorney General encouraged students to continue the dialogue on race issues being promoted by your Initiative and stressed the importance of students learning to work together across racial differences to build better, stronger and more inclusive communities. Secretary Babbitt spoke about the history of the underground railroad at Oberlin College on April 7.

Staff Participation. Maria Echaveste participated in a town hall meeting at Worcester State College in Massachusetts on April 3. From April 4 to April 9, PIR staff participated in events at Columbia University, Queens College of the City University of New York, Community College of Philadelphia, University of Illinois at Chicago, University of Colorado at Boulder and American University. In addition, PIR staff met with a delegation of students from the University of Maryland at College Park and spoke to students attending tribal colleges by participating in the American Indian Higher Education Consortium conference held in Bismark, ND.

OFFICE OF THE EXECUTIVE DIRECTOR

Statewide Days of Dialogue. We are continuing our outreach efforts to obtain the support of additional YWCA's, Governors, and Mayors in this effort. To date 17 Governors and more than 100 YWCA's in 37 states and the District of Columbia have agreed to participate.

Local Initiatives Support Corporation (LISC). On April 8, we met with LISC representatives to discuss how community development programs which are supported by community and private institutions can work together to reduce isolation of distressed neighborhoods, increase economic opportunities as well as improve cross-racial understanding. They will help PIR identify local programs which could be highlighted as promising practices as well as provide us with insights on how economic/community development programs could promote the One America vision.

One America Conversations. To date, 3,729 people have participated in One America Conversations. These conversations have taken place in 47 cities in 20 states around the country.

[Federal agency activities were unavailable for this week.]

THE WHITE HOUSE
WASHINGTON

April 10, 1998

98 APR 10 PM 5:59

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. T.M.

SUBJECT: Summary of Cabinet Weekly Reports
April 4 - 10, 1998

Copied to
Marshall
Bowles

DEPARTMENT OF TREASURY

- **G-7/G-10:** On April 15, Secretary Rubin will chair a meeting of the G-7 Finance Ministers in Washington, and on April 16, he will meet with the G-10 and the IMF's Interim Committee. In addition to reviewing economic developments and prospects, the G-7 and Interim Committee will consider development issues, particularly the Heavily Indebted Poor Countries initiative. The Interim Committee will also address the work on an amendment of the IMF's Articles of Agreement to promote liberalization of capital movements and a proposed Code of Conduct on Fiscal Transparency.
- **G-22:** On April 16, Secretary Rubin and Chairman Greenspan will host a special meeting in Washington of 22 countries, comprising the G-7 and a selection of other advanced, emerging, and transition economies. This meeting follows up your call at the Vancouver APEC Summit for a special meeting of finance ministers. The Special Group of 22 will discuss ways to strengthen the international financial system and is expected to endorse the creation of three working groups on transparency, strengthening financial systems, and burden-sharing by private creditors.
- **Development Committee:** On April 17, the IMF/IBRD Development Committee will meet in Washington to discuss implications of the Asian financial crisis and the decline in World Bank net income, which is used in part to finance development priorities such as assistance to the poorest countries. Treasury will encourage development issues, including the need for closer linkage between new lending and basic policy reforms; the importance of closer collaboration among the international financial institutions in pursuit of sustainable development; and the need to press ahead with measures to combat corruption.

4-13-98

- **IRS:** On April 28, the Senate Finance Committee will hold hearings on the IRS Criminal Investigative Division. Possible areas of inquiry include the improper use of firearms, conducting investigations without search warrants, the use of informants, employee behavior that may have led to taxpayer suicides, as well as EEO and sexual harassment complaints. Treasury and the IRS are also expecting two more internal reports on IRS abuses to be completed at the same time as the hearings.
- ✓ **Community Development Financial Institutions (CDFI) Fund:** On April 3, Under Secretary Hawke traveled to Durham, NC, to visit Self Help Credit Union, a non-profit community development financial institution and CDFI awardee. Since first receiving a \$3 million grant from the Fund in 1996, Self Help has assisted the development of local small businesses, provided funding for first-time home buyers, and assisted the construction of a homeless shelter. In late April, Secretary Rubin will visit a CDFI in Boston and Deputy Secretary Summers will visit a CDFI in Oakland.

DEPARTMENT OF JUSTICE

- **Freemen Conviction:** On March 31, a jury convicted five members of the MT Freemen of criminal charges in the first trial resulting from the 81-day standoff between the anti-government militants and the FBI.
- **Polygraph Use:** U.S. v. Scheffer presented the issue whether Military Rule of Evidence 707, which provides that evidence of a polygraph examination is inadmissible in court-martial proceedings, is an unconstitutional abridgment of military defendants' Sixth Amendment right to present a defense. Last week, the Supreme Court held that the rule does not violate the Sixth Amendment. The Court explained that because a defendant's right to present relevant evidence is subject to reasonable restrictions to accommodate other legitimate interests in the criminal trial process, state and federal rulemakers have broad Constitutional latitude to establish rules of evidence.
- **Harbor Maintenance Tax:** On March 31, the Supreme Court held that the Harbor Maintenance Tax (HMT) as applied to exports violates the Export Clause. The HMT was enacted to provide funds for U.S. harbor maintenance and improvement. It is assessed on port use and is paid by all commercial shippers. Five thousand similar cases challenging the constitutionality of the HMT are pending in the Court of International Trade and 150 are pending in the Court of Federal Claims.
- **Welfare Reform:** The City of Chicago and several legal aid groups challenged on equal protection grounds provisions of the Welfare Reform Act that restrict permanent resident aliens' eligibility for a variety of welfare benefits based on their alien status. On March 31, the Government's motion to dismiss was granted.

- **Drug Treatment and Testing:** On March 24, DOJ transmitted proposed legislation to Congress that will amend the federal prison construction grant program (VOI/TIS) and the residential substance abuse treatment program (RSAT) to provide states with the flexibility to use those funds for drug testing and treatment of offenders in prisons and while they are under criminal justice supervision outside of prison. The legislation also requires states to adhere to guidelines established by the Attorney General for penalties for trafficking within and into prisons, or lose prison construction grant funding.
- **Teamsters:** Last week, the Second Circuit concluded that the International Brotherhood of Teamsters could not be required to pay for the rerun of its election, and that under the terms of the Consent Decree, if the Government elected to have the rerun election supervised, then the Government would have to pay the costs of that supervision. DOJ has not yet made a determination as to how the election will be funded.
- **Race Initiative:** On April 8, at Temple University in Philadelphia, Attorney General Reno conducted a dialogue on race relations in America and delivered a speech about the importance of diversity.

DEPARTMENT OF INTERIOR

- **National Parks Week:** The dates of National Parks Week, April 20-26, will coincide with March for Parks and Earth Day.
- **National Parks Overflights:** On April 14-15, NPS, the FAA, and the national working group on overflights will meet in Denver, CO to review working group recommendations and begin writing the national rule for overflights of national parks.
- **Indian Gaming Rules:** DOI is considering a request from the National Governors Association for a 60-day extension of comment on proposed rules regarding Class III Indian Gaming.
- **Secretary's Schedule:** On April 13, Secretary Babbitt will sign a Conservation Agreement with Senator Harry Reid and others in Clark County, NV, at the Spring Mountains National Recreation Area. On April 14, the Secretary and Senator Kyl will host meetings with Tribal leaders, government officials, and constituents regarding the Central Arizona Project in Phoenix, AZ. On April 15, the Secretary will participate in an endangered species event in Tucson, AZ, focusing on the Pygmy Owl.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Kansan of the Year:** On April 4, Secretary Glickman was honored as Kansan of the Year during the Kansas State Society's annual cherry blossom festival dinner.

- **Farm Forums:** On April 3, Secretary Glickman kicked off the first of seven farm forums in Lexington, KY, before a crowd of 700 farmers, local and state officials, and agribusiness leaders. The audience gave Secretary Glickman a standing ovation when he pledged the Administration's support for farmer protections in any legislation implementing a tobacco settlement. On April 3, Deputy Secretary Rominger hosted a farm forum in Orono, ME, where over 250 farmers raised their concerns about dairy policy, Canadian imports, and cleanup of last winter's ice storm damage.
- **Minnesota River Clean Up:** Citing the recently concluded Conservation Reserve Enhancement Program agreement between USDA and the State of MN to clean up the Minnesota River watershed, the group America's Rivers dropped the Minnesota River from its annual list of most polluted rivers in the country.
- **Northern Plains Wheat Growers:** Following an April 2 meeting with Senators Daschle, Baucus, Conrad, Harkin, Kerrey, and Wellstone, and Representative Pomeroy, Secretary Glickman announced several changes in USDA's crop insurance program to moderate premium increases for farmers who have suffered repeated crop failures. Beginning with the 1999 crop year, USDA will propose modifications to the prevented planting provisions of the crop insurance policy, will develop an alternative coverage pilot program for selected Northern Plains counties, and will expedite expansion of crop insurance to new crops and new areas.
- **WA National Forests:** On April 7, WA Governor Locke will join the Forest Service and Weyerhaeuser Company in a ceremony marking the consummation of the Huckleberry Land exchange in western WA. Weyerhaeuser received 4,362 acres of the Mount Baker-Snoqualmie National Forests in exchange for 30,253 acres of Weyerhaeuser-owned lands, and donated 2,000 acres of forest land, half of which were added to the Alpine Lakes Wilderness. This exchange added 246 miles of rivers and streams, 7,900 acres of riparian reserves, and 225 acres of wetlands to the public domain under national forest management.
- **Supply and Demand Report:** On April 9, USDA's projections of U.S. and world supply, use, and prices for 1997-98 was published in the *World Agricultural Supply and Demand Estimates* report. Commodity traders will examine domestic use and export forecasts for wheat, corn, soybeans and products, sugar, and cotton. The report will also feature country-specific supply and use forecasts for wheat, coarse grains, rice, cotton, soybeans, and soybean products. Southern Hemisphere developments, particularly for Argentina, Australia, Brazil, and South Africa, will be the market focus. The report will include projections of 1997-98 U.S. livestock product and dairy supply, exports, domestic use, and prices.

DEPARTMENT OF COMMERCE

- **US-Japan Initiative on Deregulation:** On March 31, Japan released its new Three-Year Deregulation Action Plan. The plan includes 624 individual Japanese deregulation measures in 15 different sectors and addresses many of the U.S. priority deregulation items under the Enhanced Initiative on Deregulation. The preliminary assessment is that while the plan's measures represent a step toward a meaningful deregulation package for review by you and Prime Minister Hashimoto at the May G-7 Summit in Birmingham, England, the announced measures will need to be augmented to make Birmingham successful.
- **IMF Update:** On April 2, Secretary Daley hosted a meeting of U.S. government officials and business representatives to discuss the Asian financial crisis. Representative Kolbe attended the meeting, along with representatives from DOC, Treasury, and the Export-Import Bank. Participants discussed the state of the crisis and steps the U.S. should be taking to assist the Asian nations and protect U.S. market share.
- **El Niño:** DOC scientists are briefing Congressional staff on El Niño, particularly staff from the CA, FL, and LA delegations. The purpose is to ensure that Congressional staff members are knowledgeable about what DOC can do in the area of climate prediction, and to let them know that DOC is working with State, Federal and local agencies, academia, and industry to ensure that available knowledge is disseminated to the fullest extent possible.
- **China Export Controls:** The week of April 6, Assistant Minister Sun Guangxiang of China's Ministry of Foreign Trade and Economic Cooperation led a delegation in meetings on export controls with Bureau of Export Administration officials. The meetings discussed export control issues of mutual concern and explored ways to strengthen cooperation between the two governments on export control matters.
- **Indonesia Auto Import Policy:** On March 24, the WTO panel hearing the U.S. case against Indonesia's national car program issued an interim report favoring the U.S. argument that Indonesia's practice of discriminating against imported autos and parts violates WTO rules. The panel will release a final report at the end of April.
- **Argentina Textile Imports:** On March 27, the WTO Appellate Body affirmed an earlier dispute settlement panel ruling in favor of the U.S. in its challenge to the application of minimum specific duties and taxes assessed by the Government of Argentina on textile and apparel imports.
- **Nuclear Suppliers Group Annex:** The long-awaited proposal to restructure the Nuclear Suppliers Group (NSG) Annex, so that it conforms with the numbering system of the EU and Commodity Control Lists, appears to have the support of all countries except the U.S.

and Canada. The U.S. is opposed on the grounds that the proposed restructuring does not add to the clarity of the Annex. The NSG participating countries have agreed that the Annex Working Group will resolve the few remaining technical issues and leave the broader restructuring issue for a future meeting.

- **Taiwan and CWC:** On March 30, BXA staff met with a visiting delegation from Taiwan to discuss U.S. assistance with the Chemical Weapons Convention (CWC). Among other prohibitions, the treaty imposes restraints on trade with non-member countries. Taiwan is ineligible to become a member of the CWC and is considering adopting the CWC into domestic law in order to protect its chemical industry and trade with international partners who are member countries.

DEPARTMENT OF LABOR

- **Consumer Price Index (CPI):** On April 16, the Bureau of Labor Statistics will announce details of its plan to implement the use of a geometric mean formula in some components of the CPI. As previously announced, this change will be introduced in February 1999 with the release of CPI data for January 1999.
- **Dislocated Workers:** On April 13, DOL will award \$7 million to the United Mine Workers of America (UMWA) to assist 1,200 workers who have lost their jobs at more than 65 coal mines in OH, PA, and WV. UMWA will coordinate its activities with the relevant local Job Training Partnership Act Title III entities to provide the impacted workers with the most appropriate and useful array of services.
- **Summit of the Americas:** The week of March 29, DOL and State negotiated two items in the Plan of Action to be adopted at the Santiago Summit: strengthening of labor ministries and basic worker rights. These elements will be advanced through the work of Labor Ministers with assistance from the OAS, ILO, and IDB. In the trade area of the Plan of Action, USTR negotiated the establishment of a committee of government representatives to hear the views of civil society (which is defined to include labor) and provide input to the trade ministers in the negotiation of the FTAA. The Plan of Action that will emerge from the Santiago Summit will recognize the importance of labor issues and will begin to reverse the lack of attention given to these matters in the Miami Plan of Action.
- **White House Summit on Savings:** On June 4-5, you will host the 1998 National Summit on Retirement Income Savings. DOL's Pension and Welfare Benefits Administration (PWBA) is currently developing the program and shared the tentative agenda with the Congressional leadership. DOL is currently negotiating specifics such as proposed speakers and panelists. The leadership agreed to develop a list of speakers and panelists and expressed a strong interest in appearing with you and Vice President Gore at both the opening and closing sessions of the Summit.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Food Risk Assessment:** The week of April 13, FDA will publish a notice in the *Federal Register* requesting applications for grants to conduct research on risk assessment models for microbiological hazards in foods, as required by your Food Safety Initiative (FSI). Although the American food supply is among the safest in the world, the goal of the FSI is to further reduce the incidence of food borne disease to the greatest extent possible.
- **Breast Cancer Research:** On April 6, the National Cancer Institute (NCI) announced that preliminary data from the Breast Cancer Prevention Trial (BCPT), a clinical trial designed to see whether the drug tamoxifen prevents breast cancer in women who are at an increased risk of developing the disease, shows a 45 percent reduction in breast cancer incidence among the high-risk participants who took tamoxifen.
- **FDA Advisory Panels:**
 - ▶ The April 9 FDA advisory panel which was to consider a re-analysis of statistical data on the efficacy of Myotrophin for the treatment of amyotrophic lateral sclerosis (ALS), also known as Lou Gehrig's Disease, has been canceled. FDA continues to work with the drug's developer, Cephalon Chiron Partners, to complete its review.
 - ▶ On April 15-16, an FDA advisory panel will discuss the safety of FDA-regulated products regarding the risk of transmissible spongiform encephalopathies (TSEs), including "Mad Cow Disease." The panel will make recommendations on the safety of tallow derivatives used in pharmaceuticals and cosmetics and will continue discussions about gelatin safety.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Section 108 Loans:** On April 2, Secretary Cuomo announced \$1.2 million in Section 108 loan guarantees to Birmingham, AL, to assist the city in financing the construction of a restaurant that will create more than 30 jobs. Many of the jobs at the restaurant are expected to go to people with low and moderate incomes living in the area.
- **Homeownership Zone:** On April 6, Secretary Cuomo designated a one-half square mile area of Central/East Harlem as HUD's twelfth Homeownership Zone and awarded New York City a \$4.65 million grant. The action is expected to attract an additional \$42.7 million in investment.

Empowerment Zone Enhancement Act: On April 1, Representative Rangel introduced The Empowerment Zone Enhancement Act of 1998. The bill will serve to amend Section 2007 of the Social Security Act to provide grant funding for twenty additional empowerment zones.

we should push this

DEPARTMENT OF TRANSPORTATION

- **TWA 800 Recommendations:** FAA agrees with the intent of the NTSB recommendations issued on April 7 regarding fuel tanks and has action underway on these recommendations. FAA has been working with Boeing on a service bulletin for the inspection of fuel quantity indication system wiring inside Boeing 747 fuel tanks and plans to issue a notice of proposed rulemaking later this spring which would require such inspections. FAA is preparing a Regulation that would require manufacturers to develop an FAA-approved fuel tank maintenance and inspection program based on the TWA 800 investigation.
- **Lockheed L-1011 Fuel Boost Pump Wiring:** The FAA issued an Emergency Airworthiness Directive for the Lockheed Model L-1011 to prohibit operation of the fuel pumps when fuel quantities are below certain levels, and to add a new maintenance procedure for operating the airplane with an inoperative fuel boost pump or with an inoperative flight station fuel quantity indicating system. This action is a precautionary action based on reports of internal electrical failures in the fuel pump assembly that could result in either electrical arcing or localized overheating.
- **McDonnell Douglas Fuel Leak:** The FAA issued an Emergency Airworthiness Directive for the McDonnell Douglas MD 11 and 11F series airplane. This action is a result of a hole discovered in the fuel feed pipe caused by electrical arcing between the pneumatic sense line heater tape and the fuel feed pipe.
- **Bus Accessibility Regulations:** On April 7, a federal district court in AZ heard oral arguments regarding the regulations required by the ADA on the accessibility of over-the-road-buses. Disability groups have asked the court to impose a May 30 deadline for the implementation of the final rule and to require DOT to amend the interim rule to prohibit the purchase or lease of non-accessible over-the-road-buses. The final rule was published in the *Federal Register* on March 25.
- **AL Emergency Relief (ER):** On March 20, AL's initial ER request for \$5 million was submitted. Detailed inspections of damages from the flooding which occurred March 6-13 now totals \$10.4 million. The total cost is still not known.
- **Union Pacific:** On April 1, FRA staff met in Houston, TX, with representatives of Union Pacific, Burlington Northern Santa Fe, Kansas City Southern, Texas-Mexican, and the Texas Railroad Commission to discuss concerns regarding the Union Pacific's recent embargo on most exports to Mexico moving through Laredo, TX. UP indicated that it would take a few weeks to clear up their backlog of cars, but that other gateways were open for shippers. The other railroads expressed concern about the impact the embargo would have on relations with Mexico.

4-13-99

- **Air Traffic Control Language:** On March 30-31, a segment will run on the *CBS Evening News* on the use of the English language in Air Traffic Control, specifically about foreign pilots flying into the U.S. who often have limited understanding.

DEPARTMENT OF ENERGY

- **International Petroleum Forum:** On April 22, Secretary Peña will keynote the International Petroleum Forum. He will focus on oil and gas activities and privatization in Latin America, as well as opportunities for U.S. companies in that region.

 **Honda Natural Gas Vehicle:** On April 8, in Columbus, OH, the 1998 Honda Civic GX, fueled entirely with natural gas, was released for fleet purchases and to the general public.

- **TN Valley Electric System:** On March 31, the Secretary of Energy's Advisory Board will receive the final report on the TN Valley Electric System. The report was reviewed and approved by the TN Valley Electric System Advisory Committee, a subcommittee of SEA. The plenary session will discuss the recommendations and findings of the report.
- **Turkmenistan Bilateral:** On April 22, in a bilateral meeting with President Niyazov, Secretary Peña and Foreign Minister Shikhmuradov will sign a framework agreement to formalize energy bilaterals. The primary topic of discussion will be export options for Turkmenistan, specifically the development of a trans-Caspian pipeline route.

DEPARTMENT OF EDUCATION

- **School Violence Report:** On April 14, Secretary Riley will participate in the release of school crime data collected in 1995 as a supplement to the National Crime Victimization Survey of U.S. households. The release will include comparisons with 1989, the last time such data was collected. The data is gathered through reports from the victims of school crime rather than through reports by school administrators.
- **21st Century Community Learning Centers:** On April 16, Secretary Riley will join Vice President Gore in a teleconference, produced in partnership with a number of national organizations, on creating quality after-school programs.

VETERANS AFFAIRS

- **Gulf War Management Information System (GWMIS):** On March 30, VA's Gulf War Expert Scientific Advisory Committee received a briefing on the GWMIS. The goal is a single, reliable data and information resource that allows VA to effectively identify and respond to demands for information specifically associated with Gulf War veterans.

ENVIRONMENTAL PROTECTION AGENCY

- **Food Quality Protection Act (FQPA):** On April 8, Vice President Gore sent a memorandum to Administrator Browner and Secretary Glickman directing their agencies to conduct a public process on the implementation of the FQPA's new public health protections. EPA and USDA formed an advisory committee led by EPA Deputy Administrator Hansen and USDA Deputy Secretary Rominger. This action was spurred in part by concern expressed by Members of Congress over EPA's implementation of FQPA. EPA is still exploring options for safe regulation of organophosphates.

UNITED STATES TRADE REPRESENTATIVE

- **Shrimp/Turtle Law:** On April 6, the U.S. received the final report of a WTO panel criticizing the U.S. "Shrimp/Turtle" law which prohibits imports of shrimp from countries that do not take adequate steps to prevent shrimp from being harvested in ways that harm endangered sea turtles. USTR has begun interagency discussions of options to ensure that U.S. laws protecting sea turtles remain strong and effective.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Heroin Action Plan:** The draft of the *National Heroin Action Plan* will be forwarded to Director McCaffrey this week, and will be available for formal interagency coordination following his approval. The anticipated public release of the Plan will be in late May.

SMALL BUSINESS ADMINISTRATION

- **MOU with SECOFI National Finance Bank of Mexico (NAFIN):** On April 20, Administrator Alvarez will travel to Mexico City to sign an MOU with SECOFI and NAFIN, to establish a program to promote the development of small- and medium-sized enterprises in Mexico and the U.S., exchange technical and commercial information, and facilitate linkages between small- and medium-sized enterprises.
- **Climate Change:** SBA met with the Solar Energy Industries Association (SEIA) to initiate a partnership to establish sustainable technology assistance programs in selected SBA field offices in rural areas. As part of the partnership, SEIA members will commit to provide jobs in support of SBA's welfare-to-work initiative.

OFFICE OF PERSONNEL MANAGEMENT

- **Welfare-to-Work:** On April 9, Director Lachance participated with the Vice President in an event that celebrated the one-year anniversary of Welfare-to-Work. One of the federal employees hired by OPM introduced the Vice President at this event.

4-13-49

- **Internet Resume Database (NSEP NET):** On April 8, Director Lachance unveiled an on line resume database that gives managers and human resource professionals in the national security operations access to resumes of NSEP undergraduate and graduate students. This will encourage students to work in the federal government's national security field and help agencies find more qualified candidates.

UNITED STATES INFORMATION AGENCY

- **Polling on Northern Ireland:** A USIA survey conducted March 20-22 found that by 45 to 25 percent, Britons favor the Irish government over the British government when asked who should play "a major role" in the affairs of Northern Ireland. Nearly three-quarters support the proposal to create a Council of the Isles which would include representatives of all governments in the region. The British public splits about evenly into optimists and pessimists on the current peace process. Few are confident that leading paramilitary organizations will permanently renounce violence. A large majority (69 percent) think it is not appropriate for the American government to be involved in the peace process, and many perceive an American bias in favor of the Irish Nationalists.
- **Bosnian Polling:** A recent survey in Bosnia finds that economic improvement remains a top policy priority for Bosnians, and except among Bosnian Muslims, it competes with public concern over nationality-based rights. Many hope that inter-ethnic commerce and economic improvement may eventually help unify the three nationalities. Bosnian Serbs remain the most negative about their financial situation and the most pessimistic about the future. While support for a market economy persists, Bosnian Croats and Serbs are less inclined now than in the past to say it is right for Bosnia.

GENERAL SERVICES ADMINISTRATION

- 
- **Washington, DC Historic Sites:** On April 9, GSA announced its selections of the developers of two downtown DC historic sites. Over \$40 million will be invested in the properties located in the heart of downtown Washington's most active new marketplace near the new MCI Center. Many of the buildings are listed on the National Register of Historic Places. The selections contribute to the preservation of the Pennsylvania Avenue Historic Site.
 - **Puerto Rico and the Virgin Islands:** On April 1-2, GSA joined a group of regional administrators and secretaries' representatives to visit with local officials in Puerto Rico. The focus of the trip was to discuss mutually beneficial initiatives that U.S. government agencies could undertake with Puerto Rican agencies. On April 3, the federal group met with U.S. Virgin Islands Governor Schneider to discuss similar federal strategies.

SOCIAL SECURITY ADMINISTRATION

- **1998 Annual Reports:** Under law, the Social Security and Medicare Boards of Trustees submit annual reports on the operation and status of the Social Security and Medicare trust funds. On April 28, the Board will meet to review and approve its annual reports.
- **Social Security Advisory Board:** On April 21, the Social Security Advisory Board will meet in Washington, DC. The Board's tentative agenda includes sessions with administrators from State Disability Determination Services and with representatives from the Office of the Inspector General.

cc:

The Vice President
Erskine Bowles
Paul Begala
Sandy Berger
Sidney Blumenthal
Maria Echaveste
Rahm Emanuel
Mickey Ibarra
Janis Kearney
Ron Klain
Neal Lane
Ann Lewis
Sylvia Mathews
Michael McCurry
Katie McGinty
Mack McLarty
John Podesta
Franklin Raines
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Larry Stein
Melanne Verveer

DEPARTMENT OF STATE

Iraq: UNSCOM inspection teams, accompanied by 20 senior diplomats, including former U.S. Ambassador to Kuwait Ryan Crocker, completed their baseline survey of eight "presidential" sites last week without incident. UNSCOM will consider future visits to the compounds, which Iraq may resist, after analyzing information collected from the first visit. USUN expects UNSCOM Chairman Butler to present his biannual report to the Security Council around April 20, with the sanctions review around April 27. State will be approaching like-minded Council members to ensure support for Butler. State expects to receive shortly the results of the UN survey of Iraq's oil infrastructure and the repairs necessary to allow Iraq to reach the \$5.2 billion export ceiling of the expanded "oil-for-food" program. State prefers to limit repairs to the Iraq-Turkey pipeline and to include in the export ceiling Iraq's illicit trade in gasoil. State ended authorized departure status for Tel Aviv, Jerusalem and Kuwait on April 3, under 47 individuals in Tel Aviv and 56 in Kuwait requested evacuation.

Kosovo: On April 6, Special Representative Gelbard met with Contact Group Political Directors in London. They agreed Milosevic had not withdrawn the Special Police from Kosovo--though Ischinger (Germany) and Afanassievsky (Russia) argued this was less important than whether police had renewed attacks against civilians. The Group tasked the Kosovo working group to work out a series of building blocks on constitutional/status issues that could serve as elements for preliminary discussions between Belgrade and Pristina.

Paraguay: The Embassy continues to dissuade the Government of Paraguay and the military from taking extra-constitutional action to prevent former general and coup plotter Lino Oviedo from running in the May 10 presidential elections. All objective observers believe that if the Supreme Court clears Oviedo to run, he will win. State is coordinating closely with Brazilian and Argentine governments, whose leaders have spoken out publicly about the dangers of violating constitutional order. State also plans to make public statements against undemocratic action. While not on the agenda for the Santiago Summit, the Paraguayan political situation will likely be a topic of concern there.

DEPARTMENT OF DEFENSE

Base Realignment and Closure (BRAC): Secretary Cohen released the report which details the costs and significant savings from the previous four BRAC rounds of base realignments and closures and noted the tradeoffs DoD faces without additional BRAC rounds. Secretary Cohen reports our future security requires more base closures and stressed that savings from additional rounds of base closures are needed to address America's future national security requirements. He hailed net savings of \$25B and the progress on job creation that was achieved during the first four rounds.

Tab L

April 10, 1998

THE PRESIDENT HAS BEEN
4-13-98

Copied to
Smith
Bowles

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig T. Smith

SUBJECT: Weekly Political Update

ALABAMA

Nearly five years after he was removed from the governor's office for an ethics conviction, the Alabama Board of Pardons and Paroles voted on April 1 to restore the civil rights of former Governor Guy Hunt (R). This week, Hunt announced that he will run against Governor Fob James (R) in the June 2 primary. Hunt is the only other Republican who has served as governor since Reconstruction. Hunt joins businessman Mac McAllister (R) and former state finance director Phil Williams (R) in challenging James. Lt. Governor Don Siegelman (D) faces no serious opposition for the Democratic gubernatorial nomination.

CALIFORNIA

On April 7, Mary Bono (R) defeated actor Ralph Waite (D) 64%-29% (50,841-22,787), succeeding her husband, Sonny, to become a Member of Congress from the 44th congressional district.

State Senator Barbara Lee (D) received 67% of the vote against two Democrats and one Republican, filling the 9th congressional district vacated by Rep. Ron Dellums (D).

On April 8, Rep. Xavier Becerra (D-30), chair of the Hispanic Caucus, endorsed former Northwest Airlines executive Al Checchi (D) for governor. That same day, the California AFL-CIO endorsed Lt. Gov. Gray Davis (D) for governor.

Rep. Frank Riggs (R) dropped out of the race for the Republican nomination for the Senate seat currently held by Sen. Barbara Boxer (D), citing lack of funds to compete with businessman Darrell Issa (R) and state Treasurer Matt Fong (R). Issa visited Silicon Valley on April 9, pledging to be the high-tech senator who understands and fights for technology issues.

COLORADO

On April 8, both parties held precinct caucuses, the first step in the nominating process, which will conclude on May 30. Although official results will not be in until April 17, it is clear that Lt. Governor Gail Schoettler (D) leads state Senate Minority Leader Mike Feeley (D). Schoettler has between 41%-47%, while Feeley garnered 29%-34%. The rest are undecided.

CONNECTICUT

On April 9, Governor John G. Rowland's (R) campaign announced that they have raised more than \$3 million thus far, already reaching 75% of his 1994 total of \$4 million. Rowland's opponent, Rep. Barbara Kennelly (D), raised \$500,000 dollars in the first three months of 1998, bringing her campaign fundraising total to \$1.6 million.

FLORIDA

On April 8, gubernatorial candidate and businessman Jeb Bush (R) hosted a reception for 200 African American community leaders in Broward County. The event was part of Bush's outreach program, aimed at swaying ethnic groups who historically vote Democratic. Art Kennedy, Chief of Staff to Rep. Alcee Hastings (D), helped organize the event. Rep. Hastings has endorsed state Senator Rick Dantzler in the Democratic primary, but has said he may support Bush if Lt. Gov Buddy MacKay is the Democratic nominee.

Bush continued his fast fundraising pace, taking in another \$3 million in the first quarter of 1998, which brings his total raised to \$6.3 million. Lt. Gov Buddy MacKay (D) raised \$280,000, bringing his total raised to \$2 million. Florida election law calls for a \$5.6 million cap, with matching funds kicking in when a candidate reaches \$4 million. The Bush campaign has already raised more than the cap, which means either that they do not intend to abide by the cap, or that they have completed fundraising for the year, and will have some left over for post-election expenses.

ILLINOIS

On April 6, by the closest margin in 50 years, Kane County Coroner Mary Lou Kearns (D) was named the Democratic nominee for Lieutenant Governor by the state Board of Elections despite objections from her opponent, former state Treasurer Pat Quinn (D). The margin was less than two-tenths of a percentage point, or 1,468 votes. Quinn has filed a petition with the Chicago Board of Elections, requesting that they examine 184 of the city's 2,540 precincts for evidence he can use if he decides to seek a statewide recount.

Gubernatorial candidate Glenn Poshard (D) doubled his self-imposed contribution limit to \$4,000 from individuals and \$50,000 from party committees. The change is an acknowledgment by Poshard that he needs to raise more money to compete with Secretary of State George Ryan (R), who has about \$5 million.

Sen. Carol Moseley-Braun (D) said on April 9 that she plans to urge women's groups to support Democratic gubernatorial nominee Glenn Poshard despite his opposition to abortion and past votes against gun control. Sen. Moseley-Braun will embark on a downstate campaign swing with Poshard and the rest of the Democratic statewide slate next week.

MARYLAND

On April 6, Senator Barbara Mikulski (D) officially announced that she will run for a third term. An April 10 *Mason-Dixon Political/Media Research* poll found Mikulski with an approval rating of 64% and leading her five potential GOP opponents by 37-50 points.

An April 9, *Mason-Dixon Political/Media Research* poll found Governor Parris Glendening (D) leading Ellen Sauerbrey (D) by 4 points (45%-41%).

MASSACHUSETTS

On April 9, acting Governor Paul Cellucci (R) called upon his primary opponent, state Treasurer Joseph Malone (R), to explain why his family trust's three-acre Waltham, Massachusetts property did not pay \$91,000 in property taxes from 1993 to 1996, and why it still owes property taxes for

4-13-98
1997. Malone refused to answer questions about the unpaid taxes and instead blasted Cellucci for attacking his family in order to create negative press. Cellucci, however, has finance problems of his own, owing creditors around \$700,000, including nearly \$70,000 on high interest credit cards.

NEW MEXICO

Governor Gary Johnson (R) has called for a June 23 special election to fill out the remainder of Rep. Steven Schiff's (R-01) term. Schiff died last month after his bout with cancer. Each party must submit a candidate for the special election by April 28. Republican state central committee members who reside in the first congressional district will decide on April 13 who among three candidates will receive the nomination: state Senator William Davis (R), former Children, Youth and Families Secretary Heather Wilson (R), or attorney Alan Wilson (R). Democrats are expected to choose state Senator Phil Maloof (D) on April 25 as their candidate over management consultant Gary Van Valin (D).

In hopes of avoiding a bitter intraparty battle for both the June 23 special election and the June 2 primary election for the fall general election, Republican leaders proposed that Marcia Schiff, Steve's widow, be selected as the Republican nominee to serve out the remainder of Schiff's term, while the three Republican candidates mentioned above fight for the nomination to the full-term. Schiff declined.

NEW YORK

On April 6, former CNN commentator Geraldine Ferraro (D) announced that she had raised \$1.35 million in the three months since she entered the Senate race, and has \$1.1 million in the bank. Rep. Chuck Schumer (D-09) raised \$1.3 million in the first quarter of this year, and has over \$8 million in the bank. New York City Public Advocate Mark Green (D) raised \$400,000 and has \$800,000 in the bank. Senator Al D'Amato (R) has raised more than \$14.5 million, and has more than \$9 million in the bank. Ferraro's opponents were quick to point out that at this point in the '92 Senate race she had already raised \$2.8 million.

Rep. Chuck Schumer (D-09) officially announced his candidacy for the U.S. Senate on April 8. In his announcement statement, Schumer focused his remarks on Senator D'Amato (R), saying that D'Amato votes more like a senator from Mississippi than a senator from New York.

NORTH CAROLINA

On April 6, a panel of federal judges declared that the state's redrawn 12th district, currently represented by Rep. Mel Watt (D-12), is still racially gerrymandered and unconstitutional. Attorney General Mike Easley (D) is appealing the decision and has filed an emergency request with U.S. Supreme Court Chief Justice William Rehnquist to allow the May 5 primaries to proceed.

OHIO

On April 4, the Cleveland *Plain Dealer* endorsed former Attorney General Lee Fisher (D) over Toledo businessman Bruce Douglas for the Democratic gubernatorial nomination. On April 9, Douglas (D) withdrew from the race after spending \$1 million but still lagging far behind Fisher. Douglas pledged his personal, political and financial support for Fisher in his general election battle against Secretary of State Bob Taft (R).

PENNSYLVANIA

Since the beginning of 1998, Governor Tom Ridge (R) has spent 15 times more than his four Democratic challengers have raised. Ridge raised \$1.5 million and has more than \$5.5 million cash on hand.

SOUTH CAROLINA

Rep. Bob Inglis' (R-04) Senate campaign released an internal poll this week which showed Inglis in a dead heat (42% each) against Senator Fritz Hollings (D). Not surprising, the poll also shows Inglis with an overwhelming lead (42%-11%) over his primary opponent, former Greenville County Republican Chair Stephen Brown. The Hollings campaign responded that the poll was an attempt by Inglis to revive his campaign. The last public poll for this race showed Hollings with a 15-point lead.

TEXAS

Runoff elections will be held on April 14, the same day the President is in Houston for the ESPN race conversation. There are no Democratic runoffs in Houston, but there are Republican runoffs in the Houston region: the 9th congressional district in Beaumont, and the 25th congressional district in Pasadena. Early voting began April 6. A low voter turnout is expected.

The hotly contested congressional Democratic runoffs in the state are the 14th and 20th congressional districts. The 14th congressional district runoff between former judge Loy Sneary (D) and car dealer Tom Reed (D) is too close to call. The winner will face Rep. Ron Paul (R-14) in November. This is one of the DCCC's best chances in Texas for picking up a house seat.

The 20th congressional district runoff between former state district judge Charlie Gonzalez (D) and former city council member Maria Berriozabal (D) has tightened up despite Gonzalez' outraising and outspending his opponent. While most observers believe Gonzales will win because of his name identification and fundraising advantage, observers of this race are not discounting Berriozabal's strong grassroots organization that could be a key factor if there is a low voter turnout. The winner will face research scientist James Walker (R) in the general election. This seat currently is held by Rep. Henry B. Gonzales (D) and is expected to remain Democratic.

One-time Democratic strategist for former Governor Ann Richards (D), Mark McKinnon, will be producing TV ads for Governor George Bush's (R) campaign. McKinnon is taking leave from Austin-based Public Strategies group. Roy Spence of GSD&M, a longtime friend of Garry Mauro (D), will be producing Mauro's ads.

WASHINGTON

This week, a steering committee for the Washington State Democratic Party voted to take a straight "no" position on Initiative 200 (I-200), the anti-affirmative action initiative similar to California's Proposition 209. While many had urged the party to adopt an alternative measure to include on this November's ballot along with I-200, focus groups had problems understanding the alternative measure. The fact that the two measures would not be side-by-side on the actual ballot was a factor in the committee's decision as well.

WISCONSIN

On April 7, state Rep. Mary Lazich (R) won a special state Senate election to fill the remainder of former state Senator Lynn Adelman's (D) unexpired term, which runs through 2000, resulting in Republican takeover of the state Senate. Adelman resigned from the Senate in December to accept a federal judicial appointment. With Republicans now controlling both houses, Republican legislative leaders and Governor Tommy Thompson (R) are expected to call a special session to act on a variety of Republican measures.

THE FAR RIGHT

Focus on the Family president James Dobson sent a letter to the media and the more than 2,000 people who wrote to him following his speech criticizing the Republican Party for not promoting moral values. Dobson said, "Our first meeting in Washington didn't go well... Since then, I've talked at length to both men [Rep. Arney and Rep. DeLay] and have reason to be cautiously optimistic about the future. We have agreed not to let our differences become personalized, but to concentrate on the changes that need to be made." Dobson added that if necessary, he will leave the Republican Party and take his supporters with him.

Family Research Council President Gary Bauer continued his public relations war with the Republican leadership, calling for a more aggressive legislative strategy on tax cuts and gaining the three additional Senate votes necessary to override the partial birth abortion veto. Bauer said that Republicans "need to be more aware of growing frustration within the conservative Christian movement with what is perceived as lack of action on Capitol Hill on issues important to them."

Senator John Ashcroft (R-MO) continued to pick up momentum among the far-right, signing on Ralph Reed's influential firm as his consultants.

WHITE HOUSE 2000

At the February 2 Iowa Democratic precinct caucuses the following question was asked: Please identify the candidate or candidates who you think have the best chances, at this time, of becoming the Democratic nominee for the 2000 Presidential general election. (Each respondent could provide 1-3 names. 1,124 respondents were randomly selected.)

Al Gore	803
Dick Gephardt	334
Bob Kerry	57
Bill Bradley	47
Paul Wellstone	43
Tom Harkin	36
Joe Biden	19
Jesse Jackson	14

No response to the question: 266 or 23.67%

The *Los Angeles Times* endorsed the plan to move California's primary to March 7.

Republicans. Gov. Tommy Thompson (R-WI) told Harvard Law School Republicans that he likely would enter the Iowa presidential caucuses if he wins reelection this year. Two days later, he stated that he has no plans to run for president, and that he has not yet decided whether he will seek reelection this year.

Rep. John Kasich (R-OH), U.S. House Speaker Newt Gingrich (R-GA), New York Mayor Rudy Giuliani, Texas Governor George Bush (R), Steve Forbes, and Dan Quayle are all stumping in Arizona.

Sen. John McCain (R-AZ) was in New York City for a fundraiser for his Senate campaign and held a private meeting with New York City Mayor Rudy Giuliani (R), during which they discussed moderating and broadening the base of the Republican party. Giuliani will travel to Arizona on April 16 to join McCain for a GOP fundraiser.

Steve Forbes (R) will hold a televised town meeting in New Hampshire on April 21.

Senator John Ashcroft's (R-MO) Spirit of America PAC has taken in more than \$300,000 in the past three months, compared to the \$235,000 he raised in all of 1997. He addressed the Illinois Governor's Prayer Breakfast on April 9 and called for a major reduction in taxes on married couples. Ashcroft has captured the most sought after GOP public relations firm in the country to help him in his bid for the Republican nomination -- Ralph Reed's Century Strategies.

Democrats. Senator Paul Wellstone (D-MN) announced on April 8 the formation of the Wellstone Presidential Exploratory Committee. Wellstone will be in Iowa on April 13-14 and in New Hampshire April 24-26.

Reform Party. The Reform Party's national convention will be held on September 25-27 in Atlanta. Meanwhile, Ross Perot's computer services company, Perot Systems Inc., has revoked health coverage for partners of newly-hired gay employees. The action was protested by the Human Rights Campaign.

cc: The First Lady
 Mrs. Gore
 Erskine Bowles
 Sylvia Mathews
 John Podesta
 Doug Sosnik
 Maria Echaveste
 Ann Lewis
 Rahm Emanuel
 Bruce Reed
 Mike McCurry
 Larry Stein
 Mickey Ibarra
 Thurgood Marshall, Jr.
 Paul Begala
 Sidney Blumenthal

Susan Liss
Ron Klain
Maurice Daniel
Stacie Spector

THE WHITE HOUSE

WASHINGTON

April 5, 1998

THE PRESIDENT HAS SEEN

4-7-98

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Background on Social Security for April 7 conference

Copies to
Bowles
Sperling

The purpose of this binder is to provide background information on Social Security reform before the April 7 conference in Kansas City that is being hosted by the AARP and Concord Coalition. The conference is an important step in the year-long process of elevating the Social Security debate, in preparation for the White House conference in December and the beginning of bipartisan negotiations in January 1999. We will be meeting with you tomorrow to prepare for the Kansas City event, and this memorandum provides additional background.

Your Save Social Security First statement in the State of the Union has transformed the fiscal landscape and made Social Security reform the nation's premier policy debate. Prior to that speech, most discussions about the surplus concerned tax cuts or spending initiatives. But you dramatically changed that agenda, and now everyone is trying to fit their proposals into your Save Social Security First framework. Second, by calling for open discussion and bipartisanship, you have potentially lifted the debate on Social Security above its former status as the third rail of politics. Even the mere convening of a bipartisan conference on Social Security during an election year is a remarkable accomplishment. But the threat of that third rail is still with us, which brings us to the third point: our ultimate objective is to get reform done. While some may pressure you for your specific views or your "plan," most informed observers agree that keeping the discussion open and bipartisan at this point offers the best chance for accomplishing reform in 1999.

By being open-minded, not commenting on specific proposals, and encouraging participation in the debate, we have thus far succeeded in keeping the debate substantive and not too politicized. Ideas are now forthcoming, and are being vigorously examined on their merits. For example, Senator Moynihan's recently unveiled plan has received a respectful hearing, but has also generated sharp debate (e.g., strong criticism from Henry Aaron at Brookings). New ideas -- such as using the surplus to fund progressive (equal per capita) contributions into individual accounts for all workers -- are being examined for the first time. In that context, we strongly recommend that your general stance at the April 7 conference be one of promoting bipartisan discussion and listening to ideas, rather than committing in any way to specific proposals or positions.

The purpose of this binder is to identify the key questions that could come up during the conference, and provide the key points that could serve as your anchor for answering them -- however the specific questions are phrased.

BACKGROUND ON SOCIAL SECURITY

THE PRESIDENT HAS SEEN
4-7-99

- The elderly poverty rate has fallen from more than 35 percent in 1959 to 10.8 percent in 1996. Even today, with our strong economy, the elderly poverty rate without Social Security would be 48 percent. Social Security benefits lift roughly 15 million elderly Americans out of poverty (and another 1 million non-elderly Americans out of poverty).
- ✓ Social Security is very important to women -- for single, divorced, or widowed elderly women, the poverty rate would be 60 percent without Social Security (relative to 20 percent with Social Security).
- Social Security benefits represent the majority of income for two-thirds of elderly beneficiaries, and are the *only* source of income for 18 percent of its elderly beneficiaries.
- Unlike almost any private retirement benefit, Social Security provides a benefit that is both guaranteed for life after retirement and indexed to inflation.
- Social Security is more than just a retirement program. It also provides disability insurance (in case an individual becomes disabled and can't work) and survivors' insurance. Each is equivalent, for the average young family with two children, to an insurance policy of about \$300,000 (\$600,000 in total). Nearly one-third of Social Security's 44 million beneficiaries are either disabled or survivors (or their dependents).
- 3.8 million children receive benefits: 1.9 million as survivors of deceased parents; 1.4 million as children of disabled workers; and 0.4 million as children of retired workers.

PRINCIPLES FOR SOCIAL SECURITY REFORM

You have already approved the use of general principles to guide Social Security reform, but have not specifically enumerated them in public. Your speech at the Kansas City conference offers an appropriate opportunity to do so. The principles are:

- **Strengthen and protect Social Security for the 21st century.** This principle provides our overall goal in reforming Social Security.
- **Maintain universality and fairness.** This principle is designed to ensure progressivity, and preclude an opt-out option (which would unduly benefit upper-income Americans).
- **Provide a benefit people can count on.** This principle precludes radical privatization, which would undermine Social Security as a foundation of retirement income security.
- **Preserve financial security for low-income and disabled beneficiaries.** This principle highlights disability and survivors' insurance, as well as protection for low-income widows and other beneficiaries -- which are often overlooked in reform discussions.
- **Sustain fiscal discipline.** This principle is intended to ensure that the surpluses are not drained before addressing Social Security reform, and that we maintain our fiscal discipline in order to prepare for the retirement of the baby boomers.

Copies to
Spelling
Bowles

LONG-TERM FINANCING PROJECTIONS

The Social Security system is expected to face increasing strains as the nation's nearly 80 million baby boomers retire, as life expectancies continue to increase, and as the fertility rate declines. There are currently 3.3 workers who contribute to the system for every Social Security beneficiary. By 2030, there will be only 2 workers for every Social Security beneficiary.

According to the intermediate projections of the Trustees:

- By 2012, payroll contributions (plus income taxes on benefits) will not be sufficient to pay for benefits due under current law. In order to meet its benefit obligations, the system will have to begin spending some of the interest it earns on the assets in the Trust Fund.
- By 2019, taxes plus interest earnings will not be sufficient to pay for benefits, and the Trust Funds will begin declining, gradually at first, and then more rapidly.
- By 2029, the Trust Fund is expected to be depleted -- at which time income to the system would still be sufficient to pay about 75 percent of current law benefits.

The Concord Coalition is likely to suggest that the Trust Funds will run into trouble starting in 2012, and you may be asked when the critical date is. The talking points below are intended to answer that question.

TALKING POINTS

- **Trust Fund Solvent Through 2029.** The Social Security Trustees currently project that the Trust Fund will be solvent through 2029. And even then, income to the system would still be sufficient to pay about 75 percent of current law benefits.
- **People Often Focus on Different Dates Because of Concern Over The Unified Budget, But Our Projections of Unified Surplus Look Strong.** Some people focus on earlier dates than 2029 because they are concerned that the unified budget will not be able to afford to pay back the bonds that the Trust Fund holds. But we have reduced the deficit from \$290 billion in 1992 to roughly balance now and for the first time in 30 years, we expect a small surplus next year -- if not before. And over the foreseeable future, including well into the 21st century, we are projecting substantial surpluses -- even while making good on all our Social Security obligations and not raising taxes.

Copies to
Spelling
Bowles

4-7-98

BACKGROUND ON RATES OF RETURN

Gingrich and others are already focusing on the rate of return within Social Security, relative to the rates of return possible on other forms of investment. We need to make clear that the issue is a legitimate one, but note that there are other ways of raising the rate of return (e.g., investing the Trust Funds in equities) and that the Social Security system provides more value than many people realize (e.g., disability and survivors insurance).

TALKING POINTS

- **Rates of Return on Social Security are Positive, Even After Accounting For Inflation, For Almost All Workers.** Rates of return to Social Security are lower than they once were -- but they remain positive, even after accounting for inflation, for almost all workers.
- **Rates of Return Could Be Raised Either Through Individual Accounts, or Through Investing Some of the Trust Funds in the Stock Market.** Both approaches need to be explored carefully in the context of a comprehensive plan, to see whether they meet the principles I have put forward.
- **Finally, Social Security is More Than a Retirement Program.** It provides disability insurance and survivors' insurance -- each is equivalent for the average young family of four to an insurance policy worth about \$300,000 (\$600,000 in total). And it is low risk: its benefit is always there for you, no matter what happens to stocks, interest rates, or inflation. But most importantly, it reflects our fundamental values and a social compact.

BACKGROUND

The table below presents the real rate of return to Social Security contributions for different types of workers born in different years. Rates of return are:

- Lower for later cohorts;
- Lower for high earners; and
- Lower for single earners than one-earner couples

Copies to
Spelling
Bowles

Real rate of return to Social Security contributions, percent per year

Year born/ year age 65		Single male earner			One-earner couple	
	Low earnings	Avg. earnings	High earnings	Low earnings	Avg. earnings	High earnings
1920/1985	4.4	2.8	2.5	8.1	6.6	6.3
1930/1995	3.1	1.9	1.5	6.1	5.0	4.7
1964/2029	2.4	1.3	0.7	4.7	3.7	3.1
2004/2069	1.5	0.8	0.2	4.0	3.0	2.4

BACKGROUND ON MINORITIES AND SOCIAL SECURITY

TALKING POINTS

THE PRESIDENT HAS SEEN
4-1-98

- **Social Security is Universal.** Social Security is a universal program, which benefits all Americans.
- **Heritage Study is Flawed, and Other Studies Show Different Results.** I understand that the Heritage study's methodology is flawed, and that its results are highly misleading. Other studies, which do not use such misleading methodology, show different results. African Americans and Hispanics do at least as well as other Americans under Social Security.

-- As just one example, the Heritage study ignores disability insurance, which is a key component of the overall Social Security package and is particularly important to African Americans. In 1995, 18 percent of disabled workers were African-American, even though the group comprises only 12 percent of the U.S. general population.
- **In Addition to Insurance In Case You Become Disabled or Die, Social Security Provides a Positive Real Rate of Return for Virtually All Workers.** Rates of return to Social Security are lower than they once were -- but they remain positive, even after accounting for inflation, for almost all workers.

BACKGROUND

The Heritage Foundation has recently issued several reports suggesting that African Americans have lower rates of return under Social Security than other Americans, and that Hispanic Americans would do better under a system of individual accounts than under Social Security. Despite these claims, rates of return are not lower for minorities than for whites. The methodology used in the Heritage studies is flawed:

- The most important error is that the study underestimates life expectancies, especially for African Americans.
- The study also neglects disability insurance, part of the OASDI benefit package. A study underway in the Office of Research, Evaluation, and Statistics at the SSA suggests that non-whites have fared relatively better under the DI program than whites.
- According to a 1993 Treasury study, the net result of higher mortality rates (which reduce the rate of return), and lower incomes (which raise the rate of return) for African Americans, is that African Americans have earned a slightly higher rate of return (about 0.5 percentage points per year) on Social Security than whites.
- Hispanic Americans do better, on average, than other Americans within Social Security. Hispanic Americans, on average, have *higher* life expectancies and lower incomes than other Americans -- both of which boost their rate of return on Social Security.

Copies to
Spelling
Boules

REFORM OPTION: STATE AND LOCAL WORKERS

TALKING POINTS

THE PRESIDENT HAS SEEN
4-7-98

- **Clearly An Idea That Is On The Table, But Pros and Cons Need to Be Weighed.**

This proposal is often put forward as a possible reform. But before we reach any conclusions, we need to study carefully the pros and cons.

Copies to
Spelling
Bowles

Pros include:

- **Coverage Has Expanded Significantly.** Since the Social Security Act of 1935, coverage has expanded from workers in business and industry to almost all Americans.
- **State and Local Government Workers Are Final Group Not Covered.** Many people have argued that state and local government employees are the final sizable group of workers not universally covered (nonetheless, about 70 percent of state and local workers receive benefits for various reasons). Being covered under Social Security would allow state and local workers to move from one job to another without losing coverage. Proposals are to cover newly hired state and local workers, not existing workers.

Cons include:

- **But Impact on Existing State and Local Programs Needs to Be Carefully Examined.** I know that the impact of the proposal would vary greatly across the nation, and that some people -- like the teachers here in Missouri -- are concerned about its effect on existing state and local retirement programs. So we will need to look carefully at this and other proposals over the coming year, to figure out which changes are best to ensure that we strengthen Social Security for the 21st century.

BACKGROUND

Since the Social Security Act of 1935, coverage has expanded from workers in business and industry to include the self-employed, nonprofit groups, agricultural and household workers, the Armed Services, Congress, and all other Federal employees hired after 1983. In 1998, 96 percent of all workers are covered under Social Security -- up from 55 percent in 1939 in 1970.

State and local government employees are the final sizable group of workers not universally covered by Social Security. If such workers are mandatorily covered under a state or local public pension system, they are not mandatorily covered under Social Security. Roughly 30 percent of state and local workers are not covered under Social Security. Many of these workers are in California, Ohio, New York, and Texas. In Missouri, about 23 percent of state and local government employees are not currently covered by Social Security.

Many proposals would expand mandatory Social Security coverage to state and local government workers hired after a certain date. Such proposals would close roughly 0.2 percent of the current 2.23 percent gap. Moving newly hired workers out of the state and local programs that would otherwise cover them could put financial pressure on some state and local programs -- although a gradual phase-in could attenuate any such pressures.

REFORM OPTION: TAXING BENEFITS

TALKING POINTS

THE PRESIDENT HAS SEEN

4-7-98

- **Should Not Have to Increase the Payroll Tax Rate as Part of a Comprehensive Plan.**
Most people believe that we should not have to increase the payroll tax rate as part of a comprehensive plan.
- **But Don't Want to Take Things Off the Table -- Give Everything a Fair Hearing.**
Nonetheless, as much as possible, we should not take issues off the table.
- **Bipartisan Process for Fair and Workable Solution.** We are confident that through a mutually agreeable bipartisan process, we can come up with a fair and workable solution to strengthening Social Security for the 21st century.

BACKGROUND

- The partial tax on Social Security benefits does not apply to seniors with income below \$25,000 if single or \$32,000 if married.
 - For those with income above \$25,000 if single and \$32,000 if married, up to 50 percent of Social Security benefits are taxable. The income taxes on these benefits are credited to the Social Security Trust Funds.
 - For those with income above \$34,000 if single and \$44,000 if married, up to 85 percent of Social Security benefits are taxable. The additional revenue from taxing benefits at 85 percent rather than 50 percent is credited to the HI Trust Fund, not the Social Security Trust Funds.
- In calendar year 1997, only 25 percent of beneficiaries were subject to taxes on their Social Security benefits.
- One common proposal would extend the tax on Social Security benefits to all persons subject to Federal income tax by phasing out the current income thresholds.
- Even if the thresholds were completely phased out, other provisions in the tax code (e.g., standard deduction and exemptions) would ensure that 30 percent of beneficiaries (those at the lowest income levels) would still not have to pay taxes on their benefits.
- Many proposals would also tax Social Security benefits like other pensions. The proposal would tax benefits -- on an individual-by-individual basis -- to the extent that benefits exceed what workers had paid in. This treatment would mirror the tax treatment of other defined benefit pension plans.
- Making both changes would reduce the long-run imbalance in the Social Security system by 0.36 percent of payroll -- relative to the current gap of 2.23 percent.

copies to
Spelling
Bowles

REFORM OPTION: RAISE EARNINGS BASE

TALKING POINTS

THE PRESIDENT HAS SEEN
4-7-98

- **Should Not Have to Increase the Payroll Tax Rate as Part of a Comprehensive Plan.**
Most people believe that we should not have to increase the payroll tax rate as part of a comprehensive plan.
- **But Don't Want to Take Things Off the Table -- Give Everything a Fair Hearing.**
Nonetheless, as much as possible, we should not take issues off the table.
- **Bipartisan Process for Fair and Workable Solution.** We are confident that through a mutually agreeable bipartisan process, we can come up with a fair and workable solution to strengthening Social Security for the 21st century.

BACKGROUND

- Under present law, OASDI taxes total 12.4 percent of the first \$68,400 in earnings. This limit is indexed to the growth in average wages.
- At present, approximately 6 percent of workers have earnings at or above the cap on taxable earnings. Approximately 15 percent of total earnings are not taxed under Social Security.
- Eliminating the earnings cap (without decreasing the payroll tax rate) would reduce the long-run actuarial imbalance by about 1.55 percent (of the current 2.23 percent gap).
- Eliminating the earnings cap would raise marginal tax rates by 12.4 percent for the 6 percent of workers who currently have earnings at or above the cap.
- Senator Kennedy has proposed eliminating the cap on taxable earnings for Social Security purposes and using the additional revenues to reduce the payroll tax. Because the proposal would reduce the payroll tax, it would not address the long-range solvency issues facing the Social Security program. Senator Moynihan has proposed an increase in the base so that only 13 percent of total earnings would not be taxed.

Copies to
Bowles
Spelling

REFORM OPTION: ELIMINATE EARNINGS TEST

Copies to
Bowles
Spelling

TALKING POINTS

THE PRESIDENT HAS SEEN

4-7-98

- **Benefits Are Given Back Later.** First, we need to understand what the earnings test is and what it's not. Under the earnings test, any benefits that are reduced are given back later -- at least on average -- through higher benefits. Nonetheless, many elderly workers perceive the earnings test to be unfair and an impediment to work. This perception may reflect a failure to recognize the adjustments, through which reductions are later recovered.
- ✶ **No Limit for Those 70 and Above.** For those aged 70 and above, there is no earnings test.
- ✶ **In 1996, We Raised Earnings Limit for Those 65-69.** For those aged 65-69, the earnings limit in 1998 is \$14,500. In 1996, working with both Democrats and Republicans in Congress, I approved annual increases in that limit through 2002, when it will reach \$30,000.
- **Willing To Examine Whether It Makes Sense to Eliminate.** I am willing to take a look at the earnings test and whether it still makes any sense. We need to see:
 - Whether eliminating it would help encourage the elderly to make the right choices about whether to work or not,
 - Whether it would help make the system more understandable and easy to administer, and
 - Whether we can afford the short-run costs of eliminating it.

BACKGROUND

- Eliminating the earnings limit would have almost no effect on the long-run actuarial balance of the OASDI program. Such a change would have significant short-run effects, however: In the near term, removing the earnings limit for those aged 62 and above would raise Social Security expenditures by roughly \$12 billion in 2001.
- For those aged 62-64, the earnings limit under Social Security in 1998 is \$9,120. For those aged 65-69, the earnings limit in 1998 is \$14,500 (in 1996, you signed into law annual increases in that limit through 2002, when it will reach \$30,000). For those aged 70 and above, there is no earnings test.
- If beneficiaries earn more than the exempt amount, their current-year Social Security benefits are reduced. For those aged 62-64, benefits are reduced by \$1 for every \$2 of earnings over the exempt amount. For those aged 65-69, benefits are reduced by \$1 for every \$3 of earnings.

REFORM PROPOSAL: MOYNIHAN

copies to
Bowles
Sperting

TALKING POINTS

THE PRESIDENT HAS SEEN

4-7-98

- **Year of Debate.** This year should be used to elevate the debate on Social Security.
- **Deserve Credit for Putting Forward a Full Comprehensive Plan.** Regardless of what you think about the specific proposals, Senators Moynihan and Kerrey deserve credit for putting forward a full comprehensive plan to address Social Security reform.
- **Generated Real Debate.** These proposals have already provoked real debate -- with strong views from thoughtful people on both sides. I think what you'll see is that people will put out even more proposals for public discussion and examination as we begin to move toward bipartisan consideration of various proposals.

Additional points

- **Want to Ensure Progressivity.** I do have some concerns that under any plan, those at the bottom end up with a strong benefit. [Henry Aaron has criticized the lack of progressivity in this plan, calling it the "My Lai" of Social Security reform.]
- **COLAs.** There are some elements that are generating heated debate. For example, the plan includes a reduction to the cost-of-living adjustments that Senator Moynihan believes is warranted, but that others do not.

BACKGROUND

Senators Moynihan and Kerrey have put forward a proposal that eliminates the 75-year actuarial imbalance, which includes a very large COLA adjustment, a movement of the system back to purely pay-as-you-go, and *voluntary* individual accounts.

- The plan includes:
 - A COLA reduction of 1 percentage point per year
 - Change in payroll tax to 11.4 percent in 1999-2000, 10.4 percent in 2001-2024, and then increase to 12.7 percent in 2045-2054, 13.0 percent in 2055-2059, and 13.4 percent in 2060+;
 - An increase in the earnings base under which the payroll tax is charged. By 2003, the Moynihan plan would raise earnings limit to \$97,500 -- from \$82,800 under current law.
 - An increase in the retirement age to 68 by 2017 and 70 by 2065
 - Mandatory coverage of state and local workers hired after 2000, and extension of computation period in calculating benefits from 35 years of earnings to 38 years by 2002.
 - Taxation of benefits like private pensions and immediate elimination of income thresholds.

The net effect of these provisions is to reduce lifetime Social Security benefits by about 30 percent. The plan also provides the option of investing up to 2 percent of payroll in a voluntary individual account -- which could make up the lost 30 percent. More specifically, if the individual puts in 1 percent, the employer will be required to match that 1 percent. Our fear is that low-income workers will not contribute to the accounts, and thus will suffer the roughly 30 percent cut in Social Security, with no offsetting retirement income from an individual accounts.

April 10, 1998

OFF PRESIDENTIAL STAFF
4-7-98

MEMORANDUM FOR THE PRESIDENT

FROM: PAUL BEGALA

Col

RE: ESQUIRE PHOTO, QUOTE

Attached is a photocopy of the picture of you and Roger which Esquire is planning to run as part of a larger celebration of brothers. They are also planning on running the following quote from Roger: **"There really wasn't a reason for a sibling rivalry, being ten years apart. It was a very clear-cut role that he had, and a very clear-cut role that I had: He was the man of the house and I was the baby, and that's the way that Mother treated us. I never wanted to be man of the house until my brother left. Period."**

Esquire would like a comparable quote from you. Since Roger talked about your childhood, and the strong role you played, I suggest you speak about your adult relationship, and how Roger has been a source of strength for you. Something like this: **"Like every older brother, I tried to be there for Roger when we were kids. Now that we're adults Roger's always been there for me. In the hours before my most recent State of the Union Address, Roger pulled me aside and handed me a silver dollar that had been our mother's. I carried that coin with me to the podium, knowing that I was also carrying the love and support of a strong family and a terrific brother."**

copied
Begala
Bowles



THE WHITE HOUSE
WASHINGTON

93 APR 10 1998

April 10, 1998

4-13-98

MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREETT

SUBJECT: SCHEDULING DECISIONS

CC: JOHN PODESTA & SYLVIA MATHEWS

ACCEPT:

Date of Event:

Description of Event:

4/13/98

Official Photo with the Representatives of the Girl Scouts of America (GSA)

Staff Contact: Maria Echaveste

The First Lady will also participate in this photo-op.

4/21/98 (T)

Spring 1998 White House Intern Photo

Staff Contact: Virginia Apuzzo, Capricia Marshall

4/22/98

Millenium Lecture Series Evening

Staff Contact: Ellen McCulloch-Lovell, Capricia Marshall

This Millenium Evening will be a celebration of poetry in American life, featuring poet laureate Robert Pinsky and former poets laureate Robert Hass and Rita Dove, reading America's favorite poems.

4/24/98

White House Volunteer Appreciation Event

Staff Contact: Phil Caplan, Capricia Marshall

The week of April 20 is National Volunteer Week. Mrs. Clinton will also be attending this event.

copied
Streett
Podesta
Mathews
Bunle S

4/25/98 White House Correspondent's Dinner
Washington Hilton, Washington, D.C.
Staff Contact: Mike McCurry

4/27/98 Meeting with Bill Hybels

4/27/98 White House Event/Reception Celebrating the 50th Anniversary of
Israel
Staff Contact: Maria Echaveste, Capricia Marshall

4/29/98 Award the Citizens Medal to Albert Abramson
Oval Office or Roosevelt Room
Staff Contact: Phil Caplan

4/29/98 White House Event/Reception and Team Photos for 1998 U.S.
Olympic and Paralympic Winter Teams
Staff Contact: Mack McLarty, Capricia Marshall

5/7/98 Meeting with Mayors on Public Education
Washington, D.C., Location TBD
Staff Contact: Bruce Reed, Mickey Ibarra

5/9/98 1998 Senate Democratic Caucus Issues Conference
Williamsburg, VA
Staff Contact: Larry Stein

6/15/98 White House Ceremony for the 1998 Presidential Scholars
Staff Contact: Thurgood Marshall, Jr., Capricia Marshall

PENDING:

Date of Event:

Description of Event:

4/20/98 - 4/30/98

Photo-op/Bill Signing for S. 419, Birth Defects Prevention Act of
1997

Staff Contact: Larry Stein

4/21/98

Tentative Press Conference

Staff Contact: Mike McCurry

**We are currently holding April 21 for a possible press
conference.**

4/23/98 - 4/27/98

National Association of Realtors Midyear Business Meetings
Sheraton Washington Hotel, Washington, D.C.
Staff Contact: Craig Smith

Gene Sperling supports this event as an opportunity to tout the success of homeownership growth during your Administration.

4/27/98

Drop-by with Leaders from the National Association of Evangelicals
Staff Contact: Maria Echaveste

There is a request from this organization for you to drop-by the White House briefing they will be receiving. Senior staff do not think that it is necessary for you to do this, but thought you might want to have the option to attend. This will be Don Argue's last year as president of this organization. *Would you like us to put this on your schedule as an option?*

Yes ☒

No ☐

4/27/98

Reception to Inaugurate the David Ifshin Israel Symposium
Ron and Beth Dozoretz's Residence

The David Ifshin Israel Symposium will be an annual seminar in Israel for American political leaders and professionals. Gail Ifshin has invited you to attend the reception inaugurating the symposium. We are inclined to regret this invitation since you have such a full schedule that week, with very few evenings off, unless this is something you would like to attend. *Do you want us to accept or regret this invitation?*

Accept ☒

Regret ☒

4/29/98 (T)

Host White House Off-the-Record Dinner for Black Journalists
Staff Contact: Mike McCurry

Sylvia Mathews, Mike McCurry, Minyon Moore, and Ben Johnson have suggested that you do this. *Is this something you would like us to schedule this month?*

Yes ☒

No ☐

During dinner discuss the other journalists dinner McCurry wanted me to do

5/8/98



Travel to Delaware to Address the State Legislature on Class Size
Staff Contact: Mickey Ibarra

IGA is currently discussing this option with Governor Carper.

June TBD

Annual Dinner of the Yale Law School Association of
Washington, D.C.
National Press Club, Washington, D.C.

**Jack O'Kelley, III has invited you to attend this annual dinner
held by the Washington, D.C. Yale Law School Association
and Yale Club. We have forwarded this invitation to the
First Lady's office also. *Is this something you are interested in
attending?***

*Can you
go?*

**You should note that your Yale Law School 25 Year Reunion is
scheduled for October 17, 1998 in New Haven, CT.**

Yes _____

No _____

*Got my
ticket
already*

REGRET:

Date of Event:

Description of Event:

4/19/98

Host a White House Reception for the Kennedy Center's Spring
Gala

**Samia Farouki wrote a letter requesting that you and the First
Lady host a reception prior to the Kennedy Center's Spring
Gala. You will be traveling in Santiago, Chile on this day.**

4/23/98

U.S. Army Reserve's 90th Anniversary Ball
Washington Hilton and Towers, Washington, D.C.
Staff Contact: Virginia Apuzzo, Alan Sullivan

**You are scheduled to host a reception at the White House for
the supporters of the 1993 Deficit Reduction Package on this
evening.**

4/23/98- 4/25/98

United Way Community Leaders Conference
Atlanta, GA

Staff Contact: Maria Echaveste, Thurgood Marshall, Jr.



You are scheduled to be in Washington, D.C. during this conference. You will be meeting with President Niyazov of Turkmenistan on April 23, participating in the National Teacher of the Year event and a DNC lunch on April 24, and attending the White House Correspondents Association Dinner on April 25. This proposal has been forwarded to the other principals and the Cabinet for consideration.

4/27/98

Council of Foundation's Annual Conference
Washington Hilton and Towers Hotel

Staff Contact: Maria Echaveste

You are scheduled to host a reception celebrating the 50th anniversary of Israel on this day. This proposal has been forwarded to the other principals and the Cabinet for consideration.

4/27/98

Announce Fundraising Program to Establish the American Family Immigration History Center (AFIHC) on Ellis Island
Ellis Island, NY

Staff Contact: Thurgood Marshall, Jr.

You are scheduled to be in Washington, D.C. on this day, to participate in the reception honoring the 50th anniversary of Israel. Secretary Babbitt will be attending the event on Ellis Island.

4/30/98

10th Annual National Fire and Emergency Services Dinner
Washington Hilton and Towers Hotel, Washington, D.C.

Staff Contact: Larry Stein

You have attended this dinner in the past, however there was not a strong recommendation from the staff to attend this year. Both Director James Lee Witt and Attorney General Janet Reno will be attending this dinner, and a letter from you will be read.

4-13 48

April TBD

Announce the Federal Resources for the Educational Excellence
(FREE) Web Site

Staff Contact: Thurgood Marshall, Jr.

**This proposal has been forwarded to the other principals and
the Cabinet for consideration.**

5/4/98

1998 National Science Bowl Final Match

National 4H Center, Chevy Chase, MD

Staff Contact: Thurgood Marshall, Jr.

**You are currently scheduled to be traveling to Los Angeles, CA
and Chicago, IL on this day. This proposal has been
forwarded to the other principals and the Cabinet for
consideration.**

*Submitted by
Representative*

copied
Bowles
Podesta

4-13-98

THE WHITE HOUSE

WASHINGTON

April 10, 1998

MR. PRESIDENT:

Attached for your signature is a directive to Secretary Slater on the controversial proposal to complete the gap in California Route-710 in the South Pasadena area.

Background. The Federal Highway Administration (FHWA) has decided to approve the proposal, which has been plagued by many years of debate over destruction of historic communities. The FHWA has, among other accommodations, shifted the alignment of the freeway and reduced its size by 20%. The FHWA's decision was recently reviewed by the federal Advisory Council on Historic Preservation (ACHP), which found the highway still has unacceptable impacts. ACHP wrote to you asking that you direct Secy Slater to require a Supplemental Environmental Impact Statement (EIS) before the project can be built; or, in the alternative require a "low-build" project or halt it altogether.

As you may recall, this is Rep. Marty Martinez's highest priority and he strongly supports construction of the project. Gov. Wilson supports it as well. It is opposed by Dick Moe, and historic preservation and environmental groups.

Directive. The consensus view among your advisors, including *John Podesta* and *Katie McGinty*, is that it would be best for Secy Slater to make this decision. Your directive asks him to ensure that the decision he makes takes historic preservation and the impact on the local community into account, including whether an EIS should be prepared. If you approve, please sign the directive where indicated. You will also send a letter to the ACHP explaining your actions.

Phil Caplan

agrees
with
not
seeing
read
the memo
that
way

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE SECRETARY OF TRANSPORTATION

SUBJECT: California Route 710 Freeway Project

I believe that investing in our infrastructure is critical to America's economic success. I have also worked hard to ensure the vitality and integrity of communities across the Nation. On March 20, I received a recommendation from the Advisory Council on Historic Preservation that raised concerns about historic properties and neighborhoods in the Los Angeles area should the California Route 710 Freeway project go forward.

While many believe that the Route 710 project would help strengthen the economy of southern California, the Advisory Council raises serious concerns about the project and its impact on families and their communities. Therefore, in making your final decision on this project and the necessary transportation needs of southern California, you should seriously consider the recommendations of the Advisory Council -- including whether a Supplemental Environmental Impact Statement should be prepared -- and take every reasonable step to mitigate the impacts on the community and the environment should the project go forward.

Barack Obama

Reed
Kagan
Borowitz

THE WHITE HOUSE
WASHINGTON

April 9, 1998

4.9.98

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: McCain Legislation

With the overwhelming vote in favor of the McCain legislation in the Senate Commerce Committee and the subsequent announcement of the tobacco industry that it will fight this legislation, we have entered into a new phase of our effort to procure a comprehensive tobacco bill to reduce youth smoking. The Commerce Committee vote last week brought new momentum to this legislative effort. The industry's response should only add to that momentum, by making it even harder for Members of Congress to block legislation, lest they look as if they are doing the industry's bidding.

The broad consensus among your advisors is that we should aim for a strong, comprehensive bill that meets our core public health objectives and that the industry might reluctantly swallow in the end. Without industry consent, some provisions in comprehensive legislation (i.e., the most far-reaching advertising restrictions) would be impossible, while other provisions (e.g., narrower advertising restrictions and lookback penalties) would be in litigation for years. We should not compromise our objectives to secure that consent, but at the same time we should not ask for more than we need to achieve our public health goals and in the process destroy any chance of industry acquiescence. In any event, most of your advisors believe that efforts to push the price too far would be counterproductive, because tobacco-state Democrats will join with Republicans to derail a bill that goes as far as some in the public health community might like. Instead, we should try to address the aspects of the McCain bill that are most important to us and to securing broad Democratic support.

Your advisors also agree that the best way to get this kind of bill is to engage in negotiations with Senators Lott, Daschle, McCain, and Hollings that are designed to produce an agreed-upon bill to go to the Senate floor. The greatest danger we face is chaos on the Senate floor, in which some amendments roll back what we already have achieved (e.g., on FDA jurisdiction), while other amendments make the bill essentially unpassable (e.g., by stripping all liability protections while increasing the overall price of the deal).

We recommend against direct discussions with the industry at this stage; we doubt they would level with us anyway. Assuming Senator Hollings is in the room, we should have a decent sense of the industry's concerns, and of course we have more-than-adequate lines of communication to the public health community.

We list below several aspects of the McCain legislation in which we should seek changes during these negotiations. Note that FDA jurisdiction does not appear on this list; we were able to reach an agreement on this issue with Senators McCain and Frist, prior to the Commerce Committee vote, that satisfies all our regulatory needs and objectives.

I. Youth Lookback Penalties

We already have said that Congress must strengthen the lookback penalties in the McCain legislation, by incorporating some company-specific penalties and raising the cap on the industry surcharge. The incorporation of some company-specific penalties is a core demand of the public health community, and is strongly supported by HHS and Treasury. Such penalties, however, may be unacceptable to the industry, and especially to Phillip Morris because of its disproportionately large share of the youth market. (Unlike industrywide penalties, which can be passed on in the form of higher prices, company-specific penalties come straight out of a company's profits.) Bruce Lindsey has noted that even if we need to make demands in this area, we should not let the issue of company-specific penalties become grounds for vetoing the bill. We agree, but think it is important to try to find a way to address this issue.

A number of approaches are available, and we should not now tie ourselves down to any of them. A company-specific penalty developed by Treasury and HHS would impose a \$500 fee for every child by which a company misses the targets (*i.e.*, if a company misses the target by 10,000 children, it would pay a fee of \$5,000,000). This per-child surcharge represents the present value of the profits a company would gain from addicting a teenager over his lifetime. Treasury estimates that the total cost of this penalty -- *i.e.*, across all companies -- could reach as much as \$500 million a year. Another approach, probably more acceptable to the industry, would be to allow suits between companies for redistribution of the industry-wide penalty. Such indemnification suits would create a potential for transforming the industry surcharge into a company-specific penalty scheme, without increasing the overall cost of the penalty provisions. We will continue to try to develop creative solutions in this area so that we can enter negotiations with a range of proposals.

Raising the cap on industry-wide penalties is obviously an easier matter. We would suggest proposing a change from the current \$3.5 billion to \$4 to \$5 billion if possible.

II. Price per Pack and Spending

Price per Pack

We should not demand any increase in the McCain bill's funding levels in the first five years, because McCain essentially adopted our own budget numbers (while adding a \$10 billion up-front payment). We recommend waiting until CBO scores the McCain bill before deciding whether to seek any increase in funding levels in later years. (McCain has asked CBO to score his bill by the time Congress returns.) Congressional scorekeepers may well estimate that the

yearly payments in the bill will increase the price of cigarettes not by the \$1.10 we estimated,⁸ but by the \$1.50 that the public health community has most often demanded. The higher figure may result from assumptions by CBO that (1) states will use the opportunity to increase state excise taxes, further reducing the number of packs sold and (2) the bill will significantly increase the black market for cigarettes, resulting in fewer than expected packs sold through the legitimate retail market. By reducing the number of expected packs sold, both of these changes would increase the per-pack price estimate, because the annual industry payment set in legislation would be spread among fewer packs. Once we know the actual per-pack price increase calculated by Congressional scorekeepers, we will be in a better position to determine whether we should push for a small increase in funding levels after the fifth year.

Spending

We hope for bipartisan consensus on much of the spending: we think Members could agree on approximately \$10 billion over 5 years for farmers; \$10 billion for prevention, cessation, counteradvertising, FDA enforcement, and other public health programs; \$10-15 billion for research (the Republicans may want to limit these funds to NIH); and \$20-25 billion for states. This distribution leaves about \$15 billion on the table, which Republicans will want to spend on Medicare or tax cuts and Democrats will want to spend on programs like child care and school construction.

One issue will concern the use of the state money. Our budget earmarked 57 percent of the state funding for child care, class size, and Medicaid outreach initiatives. As we go forward, we should argue at a minimum for a menu of state programs, such as child care and education, on which states would have to use a significant portion of their funds. For example, in the Harkin-Chafee bill, half of the state funds must be spent on one of 20 listed programs, which include child care, K-12 education, Medicaid, the Child Health Insurance Program, and Head Start.

Another issue, more important in the out-years, concerns the amount of money allocated to paying legal judgments. The June 20th settlement put only a few billion dollars into the tort fund in the first five years, on the theory that lawsuits against the industry would take some time to come to judgment. Congress may well use the same assumption, given competing spending priorities. But once this initial grace period is concluded, Congress must figure out how to fund legal judgments. The June 20th settlement placed a \$5 billion annual cap on judgments, with \$4 billion coming from the industry's base payments to the government and \$1 billion (a kind of copayment) from the defendant companies' coffers. The McCain bill establishes a \$6.5 billion cap; McCain contemplated that \$5.2 would come from the industry's base payments, with \$1.3 as a copayment, but his bill does not actually address this issue. Some in the public health world may begin to call for the entire amount to be paid by the companies, outside of their payments to the government. This change, however, would add an enormous amount to the total cost of the deal and could doom prospects for legislation. Room for a tort fund thus will have to be found in the out-years by squeezing some of the spending listed above.

III. Antitrust Exemption

4-13-98

144
OK

The McCain bill contains antitrust exemptions for the tobacco industry that are not necessary to achieve the goals of the legislation and may have serious anticompetitive effects. As written, the bill exempts any and all agreements designed to "reduce the use of tobacco products by underage individuals." This exemption could cover (among other things) price-fixing agreements of all sorts. The Department of Justice believes strongly, and we agree, that we should oppose all antitrust exemptions, except possibly for a narrowly-drawn exemption designed to allow companies to agree to restrict their advertising and marketing to children.

IV. International Tobacco Control Efforts

As part of the public health spending noted above, we believe we should include significant funding (\$200 million a year) for international tobacco control efforts. These funds should be spent on both governmental and non-governmental efforts to promote public health and smoking prevention efforts abroad.

The McCain bill has several additional international provisions that we would like to change so that they do not interfere with our diplomatic and trade priorities. For example, although we support the bill's effort to prohibit U.S. government support for promotion of tobacco overseas, we need to ensure that the language does not interfere with USTR's ability to negotiate tariff reductions or interfere with treatment of other products. In addition, the McCain bill contains a provision that the State Department and HHS consider problematic and unenforceable, which would require U.S. companies to abide by the new labeling and advertising requirements when doing business in other countries. The industry strongly objects to these provisions for a different reason, because it views them as a real threat to its international operations.

V. Environmental Tobacco Smoke

The McCain bill would exempt the hospitality industry (restaurants, bars, casinos, etc.) from its environmental tobacco smoke provisions, which ban smoking, except in enclosed and specially ventilated areas, in public facilities. In addition, the bill would allow individual states to "opt out" of all of the provisions, even if the state had no ETS protections of its own. Although HHS strongly opposes the hospitality exception (workers in the hospitality industry face grave risks from second-hand smoke), we doubt it is politically feasible to remove it. We should, however, try hard to eliminate the state opt-out provision, which could leave many of the nation's citizens without any protection from ETS. Alternatively, we might consider pushing the Harkin-Chafee approach to this issue, which rather than imposing a ban would provide funds to States that progressively reduce exposure to ETS.

VI. Liability Provisions

We believe we should adhere to the basic structure of the liability provisions in the McCain legislation. If we need to make these provisions a bit tougher, we can try to raise the cap from the current \$6.5 billion to the \$8 billion contained in Harkin-Chafee. Note, however, that doing so only compounds the budgetary issues surrounding the tort fund noted earlier in this memo: to the extent that money for tort judgments come from the industry's payments to the government, that money squeezes out funds for public health and other priorities; conversely, to the extent that money for tort judgments comes over and above the industry's payments to the government, the expected cost of the deal to the industry increases.

Finally, we may want to change the provisions in the McCain legislation that deny the liability cap to certain companies. The current provision, which has received almost no attention, lifts the cap for companies that miss the youth lookback target by more than 20 percentage points if they also have violated the Act or taken action to "undermine the achievement of youth smoking reductions." Because of the vagueness of this standard, the provision may have little or no effect. We should either tighten it (by linking the cap only to objective measures) or discard it entirely. Especially if we try to make the liability provisions tougher in other areas, agreeing to eliminate the provision may prove useful.

VII. Constitutional Issues

The Department of Justice is prepared to recommend changes to the advertising, marketing, and other speech-related provisions of the legislation in the event that the industry does not sign protocols agreeing to these restrictions. The Department also would like us to press for the elimination of all provisions regulating non-commercial speech, such as one that forbids companies from lobbying Congress, regardless whether the companies offer agreement.

Conclusion

In summary, we would recommend seeking these improvements:

Youth Lookback Penalties

- Incorporate some company-specific component in the penalty scheme
- Increase the industry-wide surcharge cap from \$3.5 billion to between \$4 and \$5 billion

Price and Spending

- No change in annual payment amounts in first five years; wait until CBO scores before deciding whether to seek later changes
- Ensure spending on research, public health, and farmers, press for spending on child care and education, or at least a menu including these programs

Antitrust Exemption

- Eliminate the antitrust exemption

International Tobacco Control

- Support funding for governmental and non-governmental organizations
- Narrow provision prohibiting U.S. support for promotion of tobacco overseas to ensure it does not interfere with USTR authority to negotiate treaties
- Remove requirement that companies must abide by new labeling and marketing requirements when operating overseas

Environmental Tobacco Smoke

- Eliminate "opt-out" provision that allows states to adopt weaker laws

Liability

- Retain basic structure of liability priorities
- Consider modifying level of cap and relation of cap to youth reduction targets

Constitutional Issues

- Recommend changes to minimize Constitutional difficulties