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Chron Files September 10-16, 1995 [3]

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RESTRICTION CODES

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THE WHITE HOUSE
WASHINGTON

September 11, 1995

THE PRESIDENT HAS SEEN
91295

95 SEP 11 P1:17

MEMORANDUM FOR THE PRESIDENT

CC: LEON PANETTA
CAROL RASCO

FROM: Harold Ickes ^{NE}

SUBJECT: Medicaid waivers and worker protection

*27 37 consultation
let's meet w/ly
on this
We need to discuss*

On 11 August 1995, you met with Gerald McEntee, International President of American Federation of State, County, and Municipal Employees, AFL-CIO ("AFSCME") on a number of issues including one that he is very concerned about -- the adverse affect on employees of medicaid waivers being granted by the Administration. The short of his brief was that medicaid waivers should not be approved by the Administration absent their containing adequate protection for current employees.

Both Mr. McEntee and John Sweeney, International President of Service Employees International Union, AFL-CIO ("SEIU"), have met several times jointly with Secretary Shalala, Secretary Reich, and others, as well as myself, to discuss this issue. The membership of both unions, which are staunch supporters of this Administration, have a large number of healthcare workers. At my request, HHS and Labor have discussed a number of alternative solutions to this situation and have prepared a draft memorandum with 4 alternatives, the first of one is do nothing more than is being done now. Attached is a self-explanatory 16 August 1995 memorandum to me from Jennifer O'Connor regarding "medicaid waivers and worker protections" and a 7 page draft memorandum discussing the problem and describing 4 options. Also attached is a 1 page memorandum to me dated 7 September 1995 from Carol Rasco detailing her thoughts on the situation.

This has long been a festering problem with both of the unions and as things stand is not likely to go away.

Let's discuss at your convenience.

August 16, 1995

MEMORANDUM FOR HAROLD ICKES

FROM: JENNIFER O'CONNOR 
SUBJECT: MEDICAID WAIVERS AND WORKER PROTECTIONS

Attached is a memorandum from the Department of Health and Human Services, produced with input from the Department of Labor, which addresses options for changing the current Medicaid waiver approval process so that worker protection issues are taken into account. It describes four options for addressing the effects of Medicaid waivers on health care employees: 1) do nothing; 2) strongly encourage states during the waiver process to implement budget neutral transitional assistance; 3) require states to show that employees are included in the waiver planning process and to show how the reforms will affect the hospital workforce, and/or to show how they will address those effects; 4) develop a transition assistance program by either requiring states to assist employees or by furnishing federal funds to assist employees.

The memorandum discusses the pros and cons of each option. Secretary Shalala prefers option 2 and the pros and cons to that section explain her preference.

Secretary Reich prefers option 3, which he thinks should be even stronger than currently worded in the attached memorandum. He recommends requiring states to: 1) show employees were included in the waiver planning process, 2) show how reforms will affect employees and 3) show how they will address those effects. He comments that option 4 costs money, which AFSCME has not asked for; and option 2 will not satisfy AFSCME and will be perceived to be a decision to do nothing. He also thinks the argument that option 3 represents a breaking of the President's 1993 commitment to the National Governor's Association (NGA) is flawed because the 1993 NGA was an entirely different group of governors, most of whom were Democrats; the Secretary comments that the political landscape is so changed that we can legitimately change our policy.

Introduction

Ongoing efforts by private sector payers to control health care costs have led to large-scale dislocations in the employment of health care workers. These painful effects in the labor market may be exacerbated by current and potential federal government actions, including Medicaid waivers granted to states implementing aggressive managed care programs and probable congressional budget cuts to the Medicare and Medicaid programs. In combination, these private and public sector actions may dislocate hundreds of thousands of health care workers by the end of the decade, especially in hospitals.

Traditionally, when the federal government's actions have been expected to cause dislocations even of relatively small groups of workers, labor protection provisions have been implemented to assist dislocated workers. In at least 27 different federal statutes, various types of assistance intended to alleviate adverse employment effects caused by direct federal action or by other causes have been enacted. Industries in which workers have received such protections have included railroads, airlines, public transit, mining, communications, and mental health. Recently, the President proposed similar steps for 26,000-36,000 workers affected by the terms of the Forest Summit. In fact, notable by its absence is the broad health care sector which has one of every twelve jobs in the United States.

Indeed, the Health Security Act (HSA) proposed significant labor protections to redress the effects on workers that would have resulted had the HSA been enacted. Yet, with the failure of Congress to enact the HSA, the federal government has not provided meaningful protections for health care workers who will lose their jobs in the coming months and years.

Issues

During negotiations with states seeking Medicaid demonstration waivers, are there any steps the Department of Health and Human Services should take to address these trends? Should statutory authority be sought for health workforce protections?

Background

Reducing cost growth is generally one of the major goals of states pursuing Medicaid demonstration waivers¹. A principle technique is to require managed care enrollment (e.g., HMOs) by current Medicaid beneficiaries and others brought into the program through expanded Medicaid eligibility (typically low-income and indigent persons). Private HMOs that contract with the state to enroll and manage care for these beneficiaries lower their costs by reducing their use of high-cost health services, and by substituting

1. States use two types of waivers to enroll Medicaid beneficiaries in mandatory managed care programs. Under Section 1115 of the Social Security Act, the Department has broad authority to permit States to implement demonstration projects to test variations to Medicaid policies, including enrolling people into managed care as long as the change is "consistent with the purposes of the Social Security Act." Second, under Section 1915(b), States may require Medicaid recipients to enroll in mandatory managed care programs if the programs meet statutorily established criteria for quality, access and cost-containment. To date, although most public attention has been focussed on 1115 waivers, most of the expansion of Medicaid managed care has been achieved through 1915(b) waivers. The Administration has supported automatic approval of 1915(b) waivers.

preventive and primary care services. And they steer these public enrollees to contracting providers the HMOs believe will help achieve these reductions. This pattern mirrors what private employers hire HMOs to accomplish. Hospital inpatient and outpatient costs account for about 35-40% of Medicaid costs, making them an obvious target for HMO cost-cutting.

Hospitals compete for HMO contracts substantially on the basis of costs. To position themselves to compete, hospitals are seeking increased productivity and efficiency by, among other steps, cutting labor costs (estimated at 60% of hospital costs): they do this by removing and consolidating staffing layers; reducing numbers of semi-skilled and unskilled workers and substituting a smaller number of skilled persons who can be cross-trained for several jobs; automating; and switching to more part-time and as-needed staffing arrangements. The restructuring of the health care delivery system may result in the elimination, nationally, of 500,000 hospital jobs (many in urban areas) by the end of the decade; some congressional proposals for cutting Medicaid and Medicare could accelerate this dislocation. An estimated 80 percent of the most vulnerable jobs are held by women, and 20 percent are held by African-Americans.

Public hospitals, and nonprofit hospitals which serve similar roles in their communities, are in an especially poor position to secure managed care contracts. In general, private HMOs do not find these publicly-oriented hospitals to be highly desirable business partners because:

- their physical plants are often outdated, deteriorating, and located in areas that are undesirable to and at some distance from the HMO's private sector enrollees;
- the community continues to expect the hospitals to perform other public missions (e.g., care for violent trauma, the homeless, the mentally ill/substance abusers, illegal aliens, and people remaining uninsured) for which they are generally underpaid (hence, requiring cross subsidies);
- their historic mission as advocates for the poor may make them undependable agents for reducing costs by reducing utilization of inpatient, diagnostic and specialty clinic services;
- their resources are often insufficient to finance changes necessary to enhance efficiency, overcome physical deterioration, and update technological capacity; and
- any plan to change these institutions is likely to involve local government and the public, and, therefore, is apt to be contentious and take a long time for approval.

Representatives of the American Federation of State, County and Municipal Employees (AFSME) and the Service Employees' International Union (SEIU) are raising deep concerns to top officials in DOL, HHS and the White House about the effect of Medicaid demonstrations upon their members. In particular, they are concerned that rapid enrollment of Medicaid recipients (and other indigent persons) in mandatory managed care programs, and the redirection of public funds away from hospitals and into capitation payments to HMOs, will undermine the financial viability of certain "safety net" inner city providers (particularly public, although including many non-profit hospitals) which rely heavily upon Medicaid reimbursement and other public funding.

Since the beginning of the Administration, in response to governors' longstanding criticisms of the slow pace and inflexibility of HHS's waiver review process, HHS has implemented a streamlined review process and has committed itself to according the states broad design flexibility, policies reinforced publicly on numerous occasions by the President. (In 1994, guidelines reflecting these policies -- and expanded state public notice requirements -- were published in the Federal Register.) Governors of both parties are likely to react negatively to any Administration change in policy which would reduce state flexibility and, in their view, further micro-manage state affairs, by requiring that special consideration be given in demonstrations to these "essential community providers" or, more directly, to the employees of those institutions.

Discussion

Public and public service-oriented non-profit hospitals lie at the intersection of two important concerns: (1) the jobs of their employees and (2) the access of low-income people to needed health services. Historically, these institutions have provided inpatient and clinic services in areas which other institutions and individual providers have chosen to avoid, have often provided services which other facilities have considered insufficiently profitable, and have provided costly services to people who could not pay. Indeed, other facilities often transfer patients to these public and nonprofit hospitals.

Furthermore, these institutions will continue to play an important role even as the health system is reshaped by states' managed care demonstration programs:

- o Substantial numbers of poor persons are likely to remain ineligible for even expanded state Medicaid programs; some clients will cycle in and out of eligibility; some needed services will not be covered by the managed care plans; and some HMOs' providers will not be within acceptable access. The result will be a continuing indigent health care burden. But with reduced loads of paying patients and probable caps on or absolute reductions in disproportionate share (DSH) payments, the resources available to public hospitals will be even more limited than in the current climate.
- o The number of care-managing physicians and primary care providers may prove inadequate to successfully implement state managed care programs. During the time period in which primary care capacity is developed, public hospitals and their outpatient clinics offer important "safety valve" access.
- o The success of states' managed care efforts is not assured. If, for example, public revenues do not grow enough to sustain a capitation rate sufficiently high to attract private HMO and provider participation, and the program is pared back in eligibility or covered benefits, a public sector fail-safe mechanism will be important.

These considerations suggest that the federal government may have a continuing strong interest in how, in the context of their Medicaid demonstrations, states propose to take account of the special needs and contributions of institutions that have been serving large numbers of public beneficiaries.

Preserving these institutions may also assist in the protection and transition of many of their workers who would be at particular risk of harm from changes in the health care market. In the long run, however, while workforce reductions can be ameliorated or delayed, jobs will certainly be lost in hospitals, and possibly even more broadly across the health care sector.

In considering alternatives for addressing the effects of Medicaid waivers on "safety net" providers and/or their employees, the federal government confronts a broad spectrum of options. At one end, HHS could continue permitting States broad flexibility which allow them to choose whether to stand aside from shake-outs in the hospital sector caused by the Medicaid demonstration, and take no special steps with respect to these hospital providers or their workers. At the other end, HHS could require states to address directly the workforce effects of their waivers by developing and funding retraining programs for displaced workers, and/or statutory authority could be sought for any of a range of measures related to income maintenance, job training, or employer-based protections. Between these poles lie a range of Federal, State and employer measures to address the transitional needs of public service institutions and their health care workers.

Option 1: Leave unchanged the current breadth of state Medicaid demonstration flexibility and current HHS waiver review practice of leaving health service system redesign (and treatment of public-oriented hospitals) to state initiative within the broad requirement of "adequate" access.

- Pros:
- o Consistent with commitment to maximum state flexibility.
 - o Keeps the federal government out of state provider payment negotiations, and relationships between state and local governments.
 - o Puts maximum pressure on the public hospitals to enter a frank reappraisal of their needs to reform, and enter an open dialogue with the state on this matter.

- Cons:
- o Can result in precipitous and wrenching fiscal adjustments to public hospitals as their funds and their traditional clients are abruptly rechanneled to managed care providers.
 - o Provides no relief to at-risk public hospital workers.
 - o May mean the federal government will be drawn into participating publicly to bail out safety net public hospitals after the waiver has begun (e.g., recent dispute over Tennessee's payments to the public hospital in Memphis).

Option 2: Call each waiver-requesting state's attention to the special circumstances of public hospitals and public beneficiary-serving non-profit hospitals, and strongly encourage states to implement some form of budget neutral transitional assistance for safety net providers.

In pre-submission consultations with states, a stage at which states are customarily seeking reactions and alternatives, HHS could signal to states its interest in safety net providers during waiver negotiations, with the goal of securing protections. Examples could include extra state payments (e.g., from special funding pools) for safety net hospitals during a transitional period; assistance to safety net providers in becoming HMO contract providers; where states assign beneficiaries who fail to select a managed care plan, inclusion of safety net providers among assignment entities; and enhanced payments for safety net providers that serve members of managed care plans.

- Pros:
- o Eases transition pressure on beneficiary access in under-served areas.
 - o May indirectly assist the workers of these institutions.
 - o Provides an opportunity for public hospitals to arrange an orderly transformation of missions and performance.
 - o Emphasizes that federal interest is in delivery system integrity, beneficiary access and orderly change.
 - o Consistent with HCFA's recent waiver-related negotiations with states (e.g., Massachusetts, Illinois, Tennessee) over public hospitals.
 - o Consistent with Administration's position in Health Security Act.
- Cons:
- o May be seen and characterized as a breach of HHS's commitment to greater state flexibility in Medicaid demonstrations.
 - o Eases pressures on public hospitals to move vigorously in reforming their missions and performance; delays can result in continued inefficiencies and unnecessary costs.
 - o Could meet with Congressional resistance.
 - o Will not provide explicit response to concerns of at-risk workers.

Option 3: As part of the waiver negotiation process, HHS could require that states show that hospital employees were included in demonstration planning discussions, describe how the reforms can be expected to affect the hospital workforce, and/or discuss how states intend to take account of those affects.

Examples of steps that States might take could include inclusion of employees on waiver planning and advisory councils; analysis in the proposal of expected workforce impact data; explicit inclusion of health system worker complaints and questions in "hotline" analyses; and inclusion of workers on post-implementation quality review and feedback-and-correction work groups.

- Pros: o Responds specifically to at-risk workers' interests.
- o Could require no additional federal costs by defining any related costs as falling within waiver budget neutrality requirements.
- o Would be consistent with the Secretary's March letter to the Governor of New York reflecting concerns about public providers and their workforces.
- o Would provide workers and their representatives with a seat at the table from which to seek substantive waiver protections.
- o Would not be an unfunded mandate.
- Cons: o Will be seen by states as:
- a serious breach of HHS's commitment to greater state flexibility in waiver reform design;
 - raising issues outside the scope of the Medicaid program.
 - requiring their intervention in labor-management relationships between local governments and workers.
- o Will be interpreted as federal micro-management.
- o Could open the door to other entities (e.g., medical schools, specialized hospitals, specialist physicians) lobbying for protections.
- o Would likely meet Congressional resistance.

Option 4: Develop a program of assistance for these dislocated hospital workers.

4A: Explicitly require that states provide for assistance. For example, states might impose requirements on the hospitals including advance notice of layoff, preferential call-back, and retention of seniority and fringe benefits. Alternatively, states might be required to directly finance worker assistance programs.

- Pros: o Responds directly to workers' needs under broad-scale reforms.
- o Could keep retraining costs outside of the waiver budget neutrality limits (thus not diminishing funds available for beneficiary services).
- Cons: o Same as Option 3; plus, without federal financing, will be characterized as an unfunded federal mandate.

4B: Directly furnish federal assistance to dislocated hospital workers. Steps which might be taken by the Federal Government could include obtaining statutory authority for special unemployment insurance compensation, worker training and retraining assistance, job search and income guarantees.

Pros: o Responds directly to unions' proposals.

o Can be undertaken in combination with other options.

o With federal financing, avoids "unfunded mandates" objections.

Cons: o Same as Option 3, plus would necessitate either finding offsetting budgetary savings or justifying added costs.

o Could be difficult to restrict to workers from hospitals serving large numbers of public beneficiaries.

THE WHITE HOUSE

WASHINGTON

September 7, 1995

MEMORANDUM FOR HAROLD ICKES

FROM: CAROL H. RASCO 
DIANA FORTUNA

Subject: Medicaid Waivers and Worker Protections

I. Jennifer's Memo to Harold

As to paragraph three where Sec. Reich's argument is stated about a changed NGA: that won't hold water with the governors. NGA works in a way such that the governors who were the lead negotiators on this agreement in 1993 are still in NGA, are now the leadership from both political parties. I can't stress enough how important this factor is.

II. HHS/LABOR Memo

In general: Option two is the option that most clearly respects the agreements negotiated with the governors at the direction of the President. Option three opens the door to all kinds of groups that will want to be included in the mandate to be shown as included in the waiver development process which will lead to excessive (as perceived by the states) regulation of the waiver process which in itself is supposed to be a relief from regulation.

In the introduction and background sections, the memo does not always present both sides of the argument. On page 2 of the memo, the list of reasons why hospitals serving poor people are not attractive to HMOs does not mention the fact that these hospitals do have some advantages that often make them essential partners for HMOs coming in to seek Medicaid business. This is because they are often the only hospitals in these neighborhoods and the populations are accustomed to getting health care there.

Last paragraph on page 2, 5th line: It is not clear what the phrase "and other indigent persons" means. The uninsured are not being enrolled in managed care.

First bullet on page 3: replace "are likely to" with "will"; Medicaid will not cover all the medically indigent.

On page 4, add to the "pros" under Option 1: HCFA can and already does to some extent address the concerns of essential community provider hospitals in its waiver review process, through its emphasis on assuring access and quality.

Also, the cons should point out that the Governors would object to the argument that they would not consider these issues on their own (although the unions would respond that many Republican Governors really don't care about their workers).

9.12.95

THE WHITE HOUSE
WASHINGTON

September 7, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*

SUBJECT: Interim Storage of Nuclear Waste

The attached Rivlin/O'Leary memo concerns the interim storage of spent nuclear fuel pending permanent storage. A two-page summary outlines a recommended approach, followed by a longer version, should you want more detail.

~~The memo recommends delaying decision on an interim site until 1998~~, when we should know whether Yucca Mountain will be suitable as a permanent depository. If it is suitable, a receiving facility or depot would be built at Yucca (ready by 2005), which would satisfy the interim storage need.

The principal decision point concerns what to say (now) in the event that Yucca is deemed unsuitable as a permanent depository. Two options are presented: (1) the Administration would propose that Congress, on an expedited basis, consider a range of sites in making a final site selection; (2) the Administration would do a comparative study of Yucca Mountain vs. Savannah River, South Carolina, leaving Congress to choose based on the study. (Savannah River is the location extensive nuclear weapons production and research facilities with large amounts of high-level nuclear waste and thousands of skilled nuclear workers who have been or will be laid off in DOE's streamlining.)

DOE favors option 1 and strongly opposes option 2 on the ground that there is no scientific basis for excluding other possible sites. Pat Griffin suggests that, if you choose option 1, Nevada be *excluded* (on the ground that it has gone through enough). DOE and OMB disagree and would not exclude Nevada. Senator Bryan prefers the range of choices in option 1 to the head-to-head choice in option 2.

Leon favors option 2 because he fears that option 1 would reopen the siting issue nationally, raising serious concerns in a number of significant states (Tennessee, Washington, Minnesota), while, by contrast, option 2 would limit the battle to two states and shift focus from Nevada toward South Carolina. Option 2 will also give Nevada residents tangible evidence that they are not being unfairly singled out.

Option 1 ☒Option 2 ☐Discuss ☒

↳ prob. will exclude Nevada ~~after~~ after they've been thru

↳ what's it about political?

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

The Secretary of Energy
Washington, DC 20585

August 31, 1995

83-4631 P12: 24

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin  and Hazel O'Leary 
SUBJECT: Administration Position on Nuclear Waste

This memorandum asks for your decision on an Administration position on the storage of spent nuclear fuel and high-level nuclear waste.

Many Members of Congress, Governors, Attorneys General, State Public Utility Commissioners, and industry leaders are strongly pressing the Administration to take a position on the need for interim storage, pending permanent disposal. Utilities and States fear shutdown of their nuclear power plants with significant rate increases and adverse regional impacts unless out-of-State, offsite storage becomes available soon. The issue also is important to securing nuclear materials and the clean-up of Federal facilities, which formerly produced nuclear materials and weapons, such as Hanford, Washington, Savannah River, South Carolina, and Rocky Flats, Colorado, which have much high-level waste needing permanent storage. Finally, not satisfactorily addressing the issue results in harm to the military readiness of our nuclear naval fleet.

There is strong bipartisan Congressional support for measures that would direct the Department of Energy to take immediate steps to develop an interim storage facility. The authorizing and appropriations committees in both the House and Senate are moving on complementary measures that would severely damage the effort to develop a permanent geologic repository by diverting program resources to an interim storage initiative.

An interagency group led by the Office of Management and Budget and the Department of Energy has reviewed the options and recommends the following approach:

1. Reaffirm its top priority as establishing a permanent geologic repository and, therefore, fully support the scientific studies of Yucca Mountain now underway.
2. Articulate and support Congressional adoption of a statutory provision that would link development of an interim storage facility to our scientific studies of Yucca Mountain, which are scheduled for completion in 1998. The studies will show whether Yucca Mountain in Nevada is suitable for the permanent repository. If successful, the repository would open at the earliest in 2010.
- If the site is determined to be adequate scientifically, a receiving facility or depot for holding waste would be created at Yucca Mountain once licensing

requirements are met. The depot would begin receiving wastes during the construction period of the permanent repository--five years earlier than planned--and provide more economic and political certainty to affected stakeholders.

- If the scientific studies show that the site is not suitable, there are two options, both of which would respect current environmental and procedural requirements for facility licensing:

Option 1: The Administration would propose that Congress employ an expedited process to select an interim storage site. The selection process would consider a range of sites against all relevant factors, including protection of public health, safety and the environment, costs, transportation, the views of local stakeholders, and applicable Federal and State regulations. DOE recommends this approach.

If you choose this option, Pat Griffin recommends that you consider excluding Nevada, understanding that the Congress may not agree and might take this provision out. DOE and OMB do not recommend explicitly excluding Nevada from consideration.

Option 2: The Administration would conduct a detailed study of both Yucca Mountain and the Savannah River, South Carolina, sites as potential locations for interim storage. Congress would then make a decision on an interim storage site under an expedited procedure, based on the results of the study. This would limit the potential sites to two States and limit potential opposition from other States. The Department of Energy (DOE) strongly opposes this option believing it lacks a firm analytical basis and could pose political problems in carrying out its work in both States.

3. Direct that spent fuel from Navy's nuclear-powered warships be included among the early shipments to these facilities.

If the Administration takes an official position soon, we may be able to influence the course of Congressional action on interim storage, and have a basis for a potential veto. If the Administration takes no position, we will be less able to affect the legislative debate, and we would be criticized for inaction. An attachment provides more background information and detail on the options.

DECISION

- ☐ Approve with option 1 (all States).
- ☐ Approve with option 2 (Nevada and South Carolina).
- ☐ Disapprove.
- ☐ Discuss further.

Attachment

BACKGROUND

Nuclear waste is outstripping storage capacity at the Nation's 73 commercial reactor sites in 34 States, and the Federal government, which has signed contracts with utilities to accept the waste, has no facilities in which to store it. The Federal government also must eventually dispose of tons of spent nuclear fuel and other nuclear materials generated by past nuclear weapons production. Additionally, the Navy requires immediate assurance about the availability of storage for spent fuel to prevent disruption to operation of its nuclear-powered fleet. Satisfying the strongly competing interests involved -- those who want the waste moved away from them and those who do not want the waste to come to them -- will be difficult.

DOE's effort to create a permanent geologic repository for high-level commercial and defense nuclear waste at Yucca Mountain, Nevada, has proven more difficult than expected when it began in 1987, at Congress' direction. In our Administration, DOE has crafted a program that independent reviewers consider improved and that is on schedule to make a determination of site suitability by 1998. At best, however, the permanent repository will not open until 2010, instead of 1998, as initially anticipated in the Nuclear Waste Policy Act.

Nuclear Utility and State Concerns. Governors, Attorney Generals, nuclear utilities, public utility commissions, ratepayers, elected officials and some local environmental groups are very concerned about the lack of a central facility outside of their States in which to dispose of their high-level waste. The Federal government has not met Congress' expectations that we would begin to accept spent fuel by 1998. Eighteen States will need additional on-site storage by 1998; ten more by 2005; four more by 2010; and two after that. (See attached map of States needing additional on-site storage.) Many utilities in these States have agreements with DOE to take title and physical possession of their waste at the owners' sites for off-site storage at various points in time. Seven States are expecting waste pickup by DOE in 1998; sixteen more by 2005; three more by 2010; and eight after that.

Nuclear utilities strongly support interim storage away from their reactors and outside their states, where the waste would stay until a permanent repository is operating. Many believe that the lack of either permanent or interim storage threatens orderly operation of their plants and raises the possibility that their plants may be ordered to shut down by their public utility commissions. Some Commissions do not want to sanction the construction of additional storage, which they fear may become permanent. This would, in turn, require utilities to seek expensive alternative sources of power causing significant rate increases and potentially adverse regional economic impacts. Minnesota, Wisconsin and Michigan have already had contentious proceedings on the question of additional on-site storage. Seventeen States, 22 State regulatory bodies, 18 investor-owned utilities and 12 public utilities have initiated litigation against the Federal government to compel DOE to accept their nuclear waste, even though DOE has no facilities to store it.

Nuclear utility ratepayers have contributed over \$8 billion to the U.S. Treasury for the permanent repository effort through fees (currently over \$600 million per annum) based on

nuclear power generation, which provides more than 20 percent of the Nation's electricity. The Federal government so far has spent about \$4 billion of the \$8 billion to support the geologic repository program; the other \$4 billion is only available in the future if Congress appropriates it within the discretionary caps. Affected interests in several states are extremely upset, because they have to pay twice for storage, once through their fees to the Federal government to develop central disposal facilities, and second for additional on-site storage because the Federal government has not met Congress' anticipated schedule.

Defense-related and nonproliferation concerns. The National Security Council, the Department of Defense, and DOE are also concerned about interim storage because of national security considerations. Spent fuel from Navy's nuclear-powered warships, which accounts for less than 1/10 of one percent of the waste at issue, has long been sent to a special facility at the Idaho National Engineering Laboratory (INEL) for examination and storage.

Idaho is litigating to continue a preliminary injunction against further shipments to INEL, and Governor Batt opposes further shipments until he is assured that INEL will not serve as a permanent repository. Navy seeks an Administration commitment to move its spent fuel out of Idaho as soon as possible, in order to persuade Governor Batt to allow shipments to Idaho for temporary storage to resume immediately. For this reason, the Navy strongly supports development of interim storage outside Idaho. Shipments were scheduled to begin June 1st, and two dozen shipments to Idaho are needed in 1995 to support scheduled Navy vessel defuelings, refuelings and fuel examinations.

The Department of Defense and the National Security Council are concerned that Navy's inability to defuel and refuel its nuclear aircraft carriers, cruisers and submarines on schedule would necessitate removing ships from the deployable fleet and, therefore, threatens national security. On July 6, 1995, the 9th Circuit Court of Appeals denied a request for an emergency stay of the injunction so that naval spent fuel shipments to Idaho could resume immediately while the Navy's appeal is pending. On July 25th, the House Appropriations Committee reported out its defense appropriations bill that specifically authorizes such shipments into Idaho if good faith settlement negotiations between the Navy and Idaho fail. In the Senate, the defense authorization bill is likely to contain a similar amendment. The provision is being promoted by those representing areas with ports where nuclear naval vessels will dock indefinitely absent the option to move spent nuclear fuel to Idaho. It is expected that Congress will adopt some version of this amendment in September either in the defense appropriation or authorization bills.

The Navy feels a need to be able bring notice of the adoption of a firm Administration policy to its negotiation with Governor Batt of Idaho as early as possible. In the legal proceedings, the Navy has stated that the irreparable harm to the Navy's ability to perform its National Security mission is increasing on a day for day basis.

The nuclear nonproliferation community strongly supports a geologic repository, because it would eliminate the pressures for reprocessing spent fuel. (However, the community opposes interim storage, because it believes that interim storage would not keep nuclear material from becoming a future threat.) The Federal government decided in the

1970's that reprocessing spent fuel to recover reusable plutonium was no longer a necessary part of the nuclear fuel cycle and should be discouraged, along with the commercial use of plutonium-based fuels, because of the risks of nuclear proliferation. The United States made a commitment to provide for the direct disposal of spent fuel. Our ability to influence the commercial trade in plutonium by the international community would be diminished, if we appeared to have no credible long-term strategy, i.e., a geologic repository to dispose permanently of our own nuclear fuel.

Former DOE weapons production facilities throughout the country, such as Hanford, Savannah River, and Rocky Flats hold large quantities of high-level radioactive wastes left over from decades of nuclear weapons production. Establishing a permanent geologic repository where these wastes can be stored is key to our efforts to secure nuclear materials while cleaning up and restoring many of these facilities.

Activity in the Congress. Numerous bills have been introduced in Congress with bipartisan support to provide DOE with authority to site an interim storage facility because of the lengthy delay before a permanent repository is available. (Currently, DOE has no such authority.) Senator Murkowski has suggested that DOE's facilities at Hanford, Washington, and Savannah River, South Carolina could provide interim waste storage until a permanent facility is completed. The strong presumption in both the House and Senate, however, is that Yucca Mountain or another site in Nevada will be designated as the site for the interim storage facility, in addition to the permanent repository since it would mean having to move fuel only short distances after it is transported the first time, if Yucca Mountain proves suitable for geological disposal. The Upton/Towns bill (H.R. 1020), for example, would designate Yucca Mountain in Nevada as the site for an interim storage facility that would start to be developed now, and be completed by 1998. That bill has over 180 cosponsors from both parties. It was adopted by the House Commerce Committee by a vote of 30-4, with Democratic Representatives Dingell and Pallone both voting and speaking for it. It, or a similar bill, such as that sponsored by Senator Johnston, appears to have a strong chance of enactment in the Senate this fall, as well.

Congress is moving in the same direction through the appropriations process, too. The House recently passed the Energy and Water Appropriations bill, which slashed your funding request of \$630 million for the permanent repository program to \$425 million; in the Senate, the Appropriations Committee has provided \$400 million. The House Appropriations Committee directs DOE to "downgrade, suspend, or terminate its activities at Yucca Mountain" and "to concentrate available resources on the development and implementation of a national interim storage program." The companion Senate bill contains bill language that would direct the President to select an interim storage facility and the Report cites the Committee's frustration that the Administration has not resolved this issue.

Senator Bryan believes that the Senate and House are likely to adopt language in either an appropriation or authorization bill that designates Nevada as the site for interim storage within the next several weeks. He, and presumably other members of the Nevada delegation, view the approach of the Senate appropriations bill, that the President select the site, as preferable to legislation that would designate Nevada. He has suggested to the Administration

that we should use such authority to select South Carolina as the site. In the scenario in which Yucca Mountain is not technically suitable for a repository, Senator Bryan prefers evaluation of "a range" of interim storage sites rather than limiting the choices to Nevada and South Carolina, because he would rather avoid a direct competition against South Carolina.

Congressional action, including the budget process, seems likely to result either in stalemate or in a bill authorizing an interim storage facility in Nevada. Opposition to the latter, without any counterproposal from the Administration, will generate criticism from the 34 states with nuclear waste stored at commercial utility sites and Idaho. By doing nothing, the White House can be blamed by all interested parties if efforts on the Hill to fix the situation fail, or it can be put in the undesirable position of having to veto an unacceptable bill without having been a player in the legislative process.

Administration position to date. You have received many letters from Congress, Governors, and Public Utility Commissioners on the issue, and many utility industry CEOs have met with senior members of the Administration to present their views. Thus far, you have stated in letters to Governor Miller and Senators Bryan and Reid that "at this time my Administration cannot support any legislation currently before the Congress," which would create an interim storage facility at Yucca Mountain. Nor has the Administration expressed an official position on the issue of interim storage in general.

Recommendation

The interagency review has culminated in the following three-part recommendation:

- 1) Reaffirm that establishing a permanent geologic repository is top priority based upon two policy premises:
 - Completing scientific studies of Yucca Mountain as a potential geologic repository is the Nation's top priority in the waste disposal policy area.
 - Developing interim waste storage now takes time and resources away from the most important objective -- the development of a permanent geologic repository.

Rationale. Completing scientific studies of Yucca Mountain must remain the top priority in order to complete a permanent geologic waste repository in the foreseeable future, an approach supported by other nations dealing with the nuclear waste disposal issue. The NRC has determined that extended storage at existing commercial reactor sites does not threaten public health and safety. However, the Nuclear Waste Policy Act requires that this waste be stored at a permanent central facility, rather than at many sites across the country, in some cases near bodies of water or areas with a high population density. Given current budget constraints, committing to interim storage before determining Yucca Mountain's suitability as a permanent disposal site risks undermining the permanent characterization effort. In addition, continued progress toward a permanent repository is a key component of our nuclear nonproliferation

policy, which opposes reprocessing of spent fuel, and our Administration should state its fidelity to this goal. Finally, from an intergenerational equity perspective, we should not leave this problem for future generations to resolve.

- 2) Articulate and support Congressional adoption of a statutory provision that would link development of an interim storage facility to our scientific studies of Yucca Mountain, which are scheduled for completion in 1998. The studies will determine whether Yucca Mountain in Nevada is scientifically suitable to be a permanent repository. This approach allows for completion of the Yucca Mountain characterization process before determining whether and where an interim storage facility should be sited. A key reason for waiting to make this decision is that the costs of a large-scale interim storage facility (\$750 million) plus the additional costs, such as rail spur construction if the site were to be Yucca Mountain (\$400 million to \$1.5 billion necessary to transport such waste) make it desirable to know whether or not Yucca will be the permanent disposal site.

If the studies at Yucca Mountain determine that the site is technically suitable, then DOE will be on course to apply for NRC permits to build a permanent geologic repository at the site. The Administration would propose that Congress authorize early construction of a surface-level receiving facility or depot at the site, which would permit receipt of such wastes while construction of the permanent repository is proceeding. Such a surface facility is required to receive and prepare spent fuel for final underground disposal. All licensing procedures would be followed before placing the depot there.

Rationale. Construction approval for the permanent repository would be secured before taking action on interim storage, and current owners of nuclear waste and States where wastes are located would be assured that potential construction delays in the permanent repository schedule would not slow waste shipments. This option could accelerate waste shipments to the repository by five years, that is, from 2010 to 2005, and provide greater certainty on the availability of interim storage. This would reduce the controversy in these states when additional on-site storage at their utilities is required, and reduce the potential for the shutdown of safe, reliable, economic energy facilities, thereby minimizing potential adverse economic impacts in these regions.

If studies conclude that Yucca Mountain is unsuitable as a site for a permanent repository, the search for a repository would be back to square one. Identifying an alternative permanent disposal site will be time-consuming, and needs for interim storage will increase. Obviously, the process of finding an alternative site for the interim storage will be difficult politically. An earlier process to find temporary storage that examined sites in a number of States failed because of political obstacles and was very contentious. Administration officials have identified two options for selecting a site for interim storage.

Under either option, an interim storage site is identified by Congress under expedited procedures in 1998, when DOE is scheduled to decide on Yucca Mountain's technical

suitability. The interim storage facility could be licensed and built in time to begin accepting waste shipments in 2005. Current environmental and procedural requirements for facility licensing would be followed under either option.

Option 1: The Administration would propose that Congress employ an expedited process to select an interim storage site. The selection process would have to consider a range of sites against all relevant factors, including protection of public health, safety and the environment, costs, transportation, the views of local stakeholders, and applicable Federal and State regulations. DOE recommends this approach.

This option leaves the difficult siting determination to Congress, but it should call for criteria that avoid making Nevada a presumed site choice. Nevada could be excluded from being considered again (or identified as a non-preferred site) on the grounds that it has already "gone through enough" in terms of the studies at Yucca Mountain. There are also economic reasons related to infrastructure investment that could potentially support excluding Nevada. The political ramifications of such an approach are mixed. Obviously, Nevada would like it, but other "candidate" states, such as Tennessee, Washington, Minnesota, and South Carolina would oppose a process that materially increases the likelihood that they would be selected.

Doing so would fly in the face of substantial Congressional sentiment and the Administration could be directly contradicted if Republican majorities in Congress pass a bill explicitly designating Nevada. In fact, the House Commerce Committee, with strong bipartisan support, has just marked up a bill designating Nevada as the site for interim storage.

Rationale. By not naming any specific sites, Department of Energy officials argue that Option 1 gives Nevada a fighting chance if Yucca Mountain is not found suitable for the permanent repository because the State can argue costs, transportation, and other issues against a range of other sites. Indeed, Senator Bryan has indicated he would prefer this option if he had to choose between Option 1 and 2. This approach offers a process by which Congress could defer this issue to another day, i.e. 1998. However, if a number of States feel threatened by this process, they could act to preemptively name Nevada now.

Option 2. The Administration would propose to conduct a detailed study of both the Yucca Mountain site and DOE's 325 square mile nuclear weapons facility at Savannah River, South Carolina, as potential sites for interim storage. Congress could then make a decision on the siting of interim storage based on the results of this study.

The purpose of the study would be to determine which of these sites is best suited to provide interim storage pending completion of a permanent repository. The study would have to compare the two sites against all relevant factors, including protection of public health, safety and the environment, costs, transportation and infrastructure needs and resources, the views of local stakeholders, and applicable Federal and State regulations.

This option leaves the difficult siting determination to Congress, but it offers a defensible alternative to immediate action by Congress to site an interim storage facility in Nevada. Savannah River is the location of extensive nuclear weapons production and research facilities with large quantities of high-level nuclear waste and several thousand skilled nuclear workers who have been or will be laid off in DOE's overall streamlining. Senate Energy Committee Chair Murkowski already has made a similar study proposal, outlining criteria that Savannah River (and DOE's Hanford, Washington, nuclear weapons site) would meet: owned by the Federal government, have adequate land, already house spent fuel, have transportation and security infrastructure, and have a skilled workforce already in place.

Rationale: This option limits the review process to two states that many experts view as very good candidates for a variety of sound policy reasons. It does not raise the degree of potential political opposition that is likely to occur if people in other states believe the site selection process will consider a number of States. Strong possible opposition of that type did arise in 1988 when Michael Dukakis indicated he would reopen the siting issue. From the perspective of Nevada, this option offers a credible alternative by identifying a specific additional site.

The Department of Energy is strongly opposed to this option. The Department believes the Administration would lack an analytical basis for excluding all sites save Nevada and South Carolina. Also, DOE questions the political logic of the proposal in as much as it would be strenuously opposed by South Carolina, where DOE has many vital national security and environmental projects, and give small refuge to Nevada.

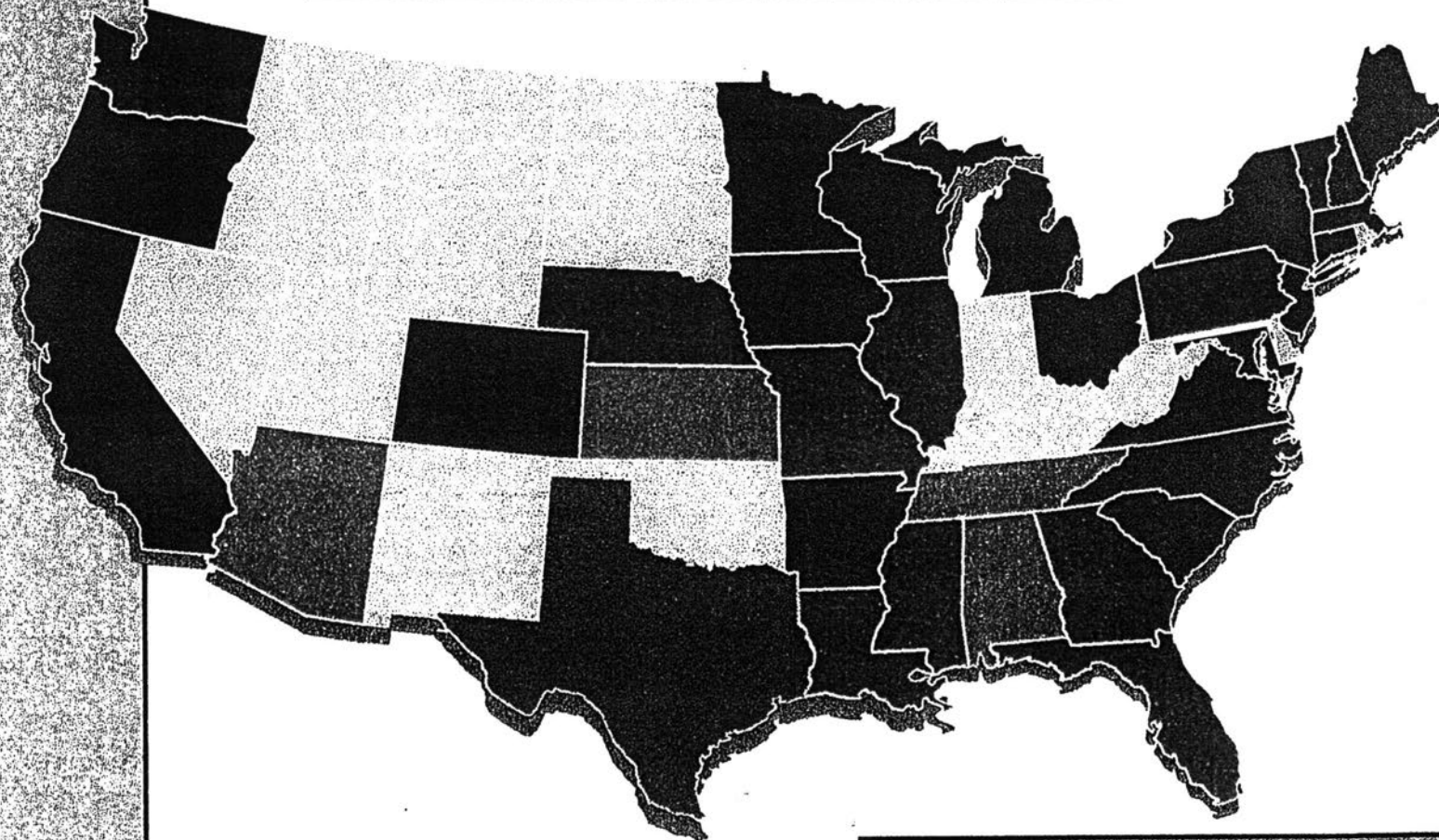
- 3) Direct that Navy's spent fuel be included among early shipments. While it does not resolve Idaho's entire dispute concerning receipt of naval spent fuel, guaranteeing that Navy's spent fuel will be among the early shipments to a permanent or interim storage site is intended to address the State of Idaho's stated need for assurance that Idaho will not serve as a permanent repository before it permits temporary storage of naval spent fuel to resume. Navy would have a preference at the receiving facility (if Yucca Mountain site is suitable) or at a new interim storage facility (if the Yucca Mountain site is not suitable) to ensure that its spent fuel is included among the early shipments to the site.

State	Total Additional Storage Needs
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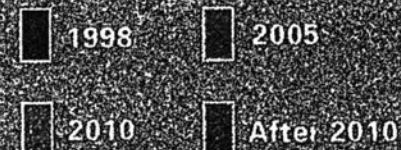
Illinois	11700
Pennsylvania	8015
South Carolina	5144
North Carolina	3967
New York	3865
Alabama	3545
Georgia	3514
New Jersey	3332
Texas	3190
Florida	3185
California	3099
Michigan	3078
Arizona	2770
Virginia	2742
Connecticut	2610
Tennessee	2181
Ohio	1781
Louisiana	1766
Wisconsin	1453
Arkansas	1409
Maryland	1362
Minnesota	1313
Mississippi	1284
Missouri	999
Nebraska	962
Kansas	938
Washington	888
New Hampshire	777
Massachusetts	738
Maine	717
Vermont	671
Iowa	538
Oregon	359
Colorado	15

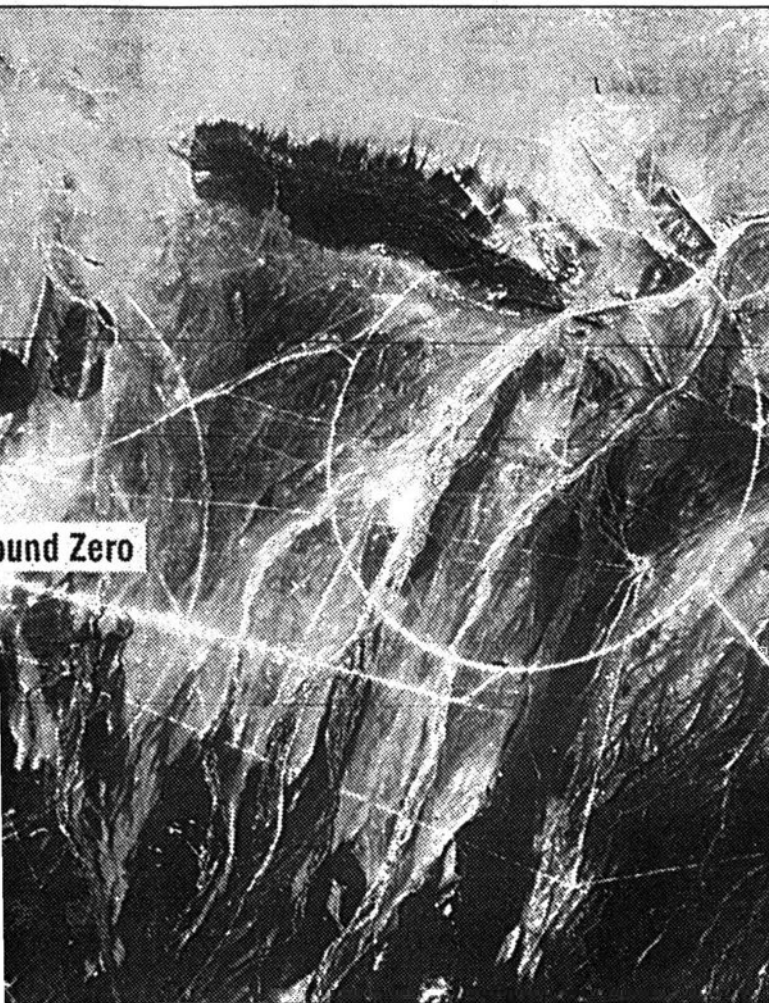
Total	83,907
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Total States Needing Additional On-Site Storage



State Needing Additional On-Site Storage in:





ound Zero

Photographs courtesy of National Archives

MUR, CHINA Oct. 20, 1964. Test site construction was first seen on this image was acquired four days after first Chinese nuclear test.



Fears Growing Over Bacteria Resistant To Antibiotics

By MARC LIPSITCH

THERE have long been warnings that bacteria were acquiring resistance to a wider and wider range of antibiotics. But new antibiotics were always being developed, and in the race between bacterial evolution and human ingenuity, technology appeared to be winning.

Now, the bacteria are catching up, and many scientists and public health officials fear that the evolution of resistant strains may soon outpace the development of new drugs, leaving doctors powerless to treat infections that were once routine.

This is already the case for an important family of bacteria known as the enterococci, which are among the

Doctors may soon find themselves unable to treat infections that were once considered routine:

leading causes of blood infections in hospitalized patients. Although the bacteria tend to attack only the sickest patients, for them they pose a serious threat. Data released in July by the New Jersey Department of Health showed a substantial increase in the number of enterococci that have acquired resistance to vancomycin, the last antibiotic of use against them. More than half the acute-care hospitals in the state reported that they had isolated vancomycin-resistant enterococci from the bloodstreams of infected patients.

A study by the Federal Centers for Disease Control and Prevention in Atlanta showed that nearly 8 percent of all

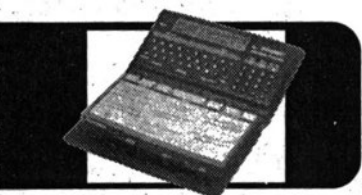
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Fears Are Growing Over Bacteria Newly Resistant to Antibiotics

Continued From Page C1

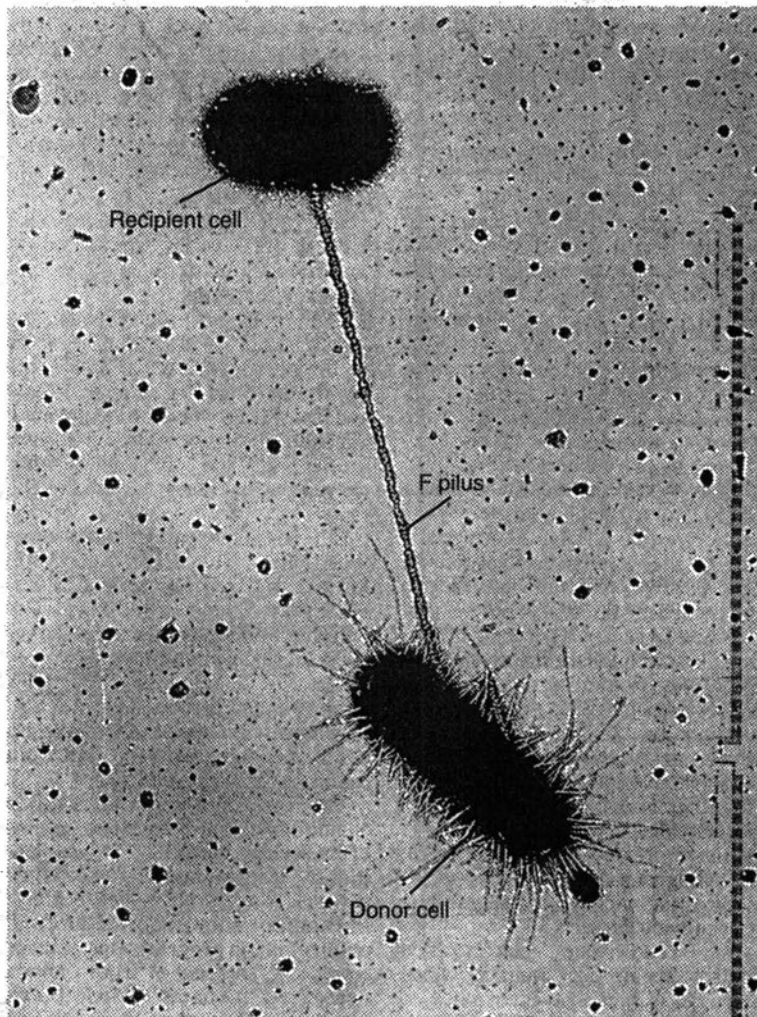
enterococci isolated in hospitals nationwide were resistant to vancomycin in 1993, more than 20 times the rate detected four years earlier. Since vancomycin-resistant enterococci are nearly always resistant to other antibiotics as well, many of the estimated 19,000 patients attacked by the bacteria each year have infections that are virtually untreatable.

Resistance to antibiotics like vancomycin is often carried by a small circle of DNA known as a plasmid. Plasmids are separate from the rest of a bacterium's genes, and they can move quite easily from one bacterium to another. The transferability of plasmids enables resistance genes to spread rapidly, even among different species of bacteria.

Vancomycin works by interfering with the construction of the bacterial cell wall, but its action can be thwarted if bacteria modify the building blocks of their cell walls by substituting a molecule of lactic acid for one of alanine. The most common plasmid that confers resistance to vancomycin has a package of nine genes that set in motion this cunning counter-stratagem. One gene enables the bacterium to manufacture lactic acid, another codes for an enzyme that can cleave the alanine from the cell wall building block, and the product of a third puts lactic acid in the alanine's place. Two more genes control these three, insuring that they are active only when vancomycin is present. Of the other genes, two are involved in helping the resistance gene package mobilize itself in different ways.

"It's a very complex mechanism," said Dr. Robert Moellering, an expert on enterococci at New England Deaconess Hospital in Boston. "We didn't think that bacteria could become resistant to vancomycin. It was used for almost 30 years before resistance evolved."

Researchers speculate that resistance to vancomycin was relatively slow to develop because it took many false starts before the right combination of genes was assembled. Now that the genes are all together on one plasmid, and vancomycin-resistant enterococci are becoming more common, doctors fear that enterococci may transfer the resistance-causing plasmid to another, much more virulent bacterial species, *Staphylococcus aureus*, which spreads in hospitals and can enter a patient's blood.



Dr. Charles C. Brinton Jr. and Dr. Judith Carnahan

Transfer between bacteria of genetic material called plasmids, along bridge called F pilus, enables genes for drug resistance to spread rapidly. Two *E. coli* bacteria, magnified 33,800 times, are shown during transfer.

in the United States die each year of causes related to infections they acquire in hospitals, and more than half of those deaths are probably connected with antibiotic-resistant strains of bacteria, according to the C.D.C. Bacteria tend to infect the weakest hospital patients, who may have died anyway, making it hard to assess the exact increase in mortality that is due to resistant bacteria, said Dr. Robert Gaynes of the C.D.C. Drug-resistant infections acquired in hospitals require more than \$1.2 billion in extra health care each year in the United States, according to a forthcoming report by the Congressional Office of Technology Assessment.

The problem of drug-resistant bac-

Pneumonia and tuberculosis raise special concerns.

distribute an antibiotic, now in clinical tests, for use against untreatable vancomycin-resistant enterococci.

Dr. Stuart Levy, a professor at Tufts Medical School and author of "The Antibiotic Paradox," a book about drug-resistant bacteria, warns that such efforts may be too little, too late. "Things are going to get worse before they get better," he said.

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Like enterococci, many strains of Staphylococcus aureus have exhausted all but the last line of defense: vancomycin.

If one of these strains becomes resistant to vancomycin, it could set off a major epidemic of infections

Bacteria work out a complex strategy for evading vancomycin.

that would be impossible to treat with existing drugs, according to Dr. Mitchell Cohen, director of the C.D.C.'s Division of Bacterial and Mycotic Diseases. "Such organisms would have a tremendous selective advantage," he said. "They will spread in individual hospitals, and based on our past experiences, they will spread between hospitals, unless significant infection-control efforts are made."

Many scientists feel that it is just a matter of time until Staphylococcus aureus acquires the genes to resist vancomycin. "It might happen next week and it might not be until the millennium and it might not be until after that," said Dr. William Noble, a professor of microbiology at St. Thomas's Hospital in London. "But I think it will happen." Indeed, in an experiment in his laboratory he has proved that enterococci can transfer the resistance-causing plasmid to staphylococci when the two bacteria are grown together.

Dr. Noble points to a similar experience with gentamicin, another drug that had been used to treat staphylococcal infections. Gentamicin was used for about 10 years before the staphylococci acquired plasmids "with what was probably an enterococcal gene on it," he said.

Determining the species of bacteria that has caused an infection and its profile of drug resistance can take several days, and doctors must often treat infections without being sure whether the drug they use will be effective.

Between 60,000 and 80,000 patients

the country, including in New York City, spurred on by the H.I.V. epidemic and by high transmission rates in prisons.

Researchers are also concerned about rising drug resistance among the pneumococci, a family of bacteria that kill about 40,000 Americans a year through infections like pneumonia and meningitis. Pneumococci are also a leading cause of childhood ear infections. According to a study published last month by researchers at the C.D.C. and Emory University, one in four pneumococci samples taken in Atlanta were resistant to penicillin, a sharp increase on the rate of eight years ago.

The problem of antibiotic resistance is frequently compounded in developing countries, where controls on the sale and use of antibiotics are often lax, and where poor sanitation can enhance the spread of resistant strains.

The sharp increase in resistant bacteria reported in recent years has caught many pharmaceutical companies off guard. "We generally thought and were told by surveys and by physicians that they had more antibiotics than they knew how to use," said Dr. George Miller, who is in charge of preclinical infectious disease research at the Schering-Plough Research Institute in Kenilworth, N.J. "Many companies did what we did and began looking into antifungals and antivirals," shifting attention away from research on drugs for bacterial infections.

As reports of resistance continue to build, pharmaceutical companies are starting to revive their research efforts. "When the first strains resistant to vancomycin occurred in Europe in 1987 and 1988, our ears perked up," said Dr. Robin Cooper, a research adviser at Eli Lilly Research Laboratories in Indianapolis. "We started screening everything we had" for activity against these strains. The researchers found a trace of activity in just one compound, a chemical relative of vancomycin. The drug is now in preclinical development.

Another company, Rhône-Poulenc Rorer in Collegeville, Pa., has received emergency approval from the Food and Drug Administration to

face of resistance."

The genes that confer resistance to one antibiotic can often undergo small changes that make bacteria resistant to related drugs. "Many of us feel that the way to get back at the resistance problem is to get a totally new class of antibiotics," said Dr. Miller.

Both Schering-Plough and Upjohn are studying new classes of drugs that appear promising against vancomycin-resistant enterococci and Staphylococcus aureus. But even if tests are successful, it would be at least five years before any of the drugs reach the market.

New research programs will take even longer — 10 to 15 years — before they bear fruit, Dr. Miller estimates. Meanwhile, many of those who study the problem have called for controls on the use of antibiotics in order to weaken the natural selection for resistance, and some hospitals now limit the use of particular drugs.

Studies in Hungary and Denmark show that resistance levels decline when antibiotic use drops, but the consequences of such interventions can be complex. Some plasmids carry a number of genes, each coding for resistance to a different antibiotic. Hence the continuing use of any one antibiotic may maintain the selection pressure for the whole plasmid, keeping levels of resistance to all the other drugs high.

Another problem is that physicians may face a conflict between a patient's need for a specific antibiotic and the public health risk of the evolution of resistance. Some physicians have argued, for example, that the benefits of using antibiotics to treat ordinary childhood ear infections, which account for 24.5 million visits to doctors every year, are often too small to justify the risks of promoting resistance. Others argue that any potential benefit to the patient, even if it is small, is paramount.

In addition to changing treatment patterns, public health officials stress the need to interrupt the spread of resistant organisms. Antibiotic use can be reduced by better hospital hygiene measures and wider use of vaccines among very young and very old individuals.

NEW YORK CITY IS ON THE VERGE OF

Joyce Purnick fills in the blanks in her new "Metro Matters" column, Mondays and Thursdays in The Metro Section of

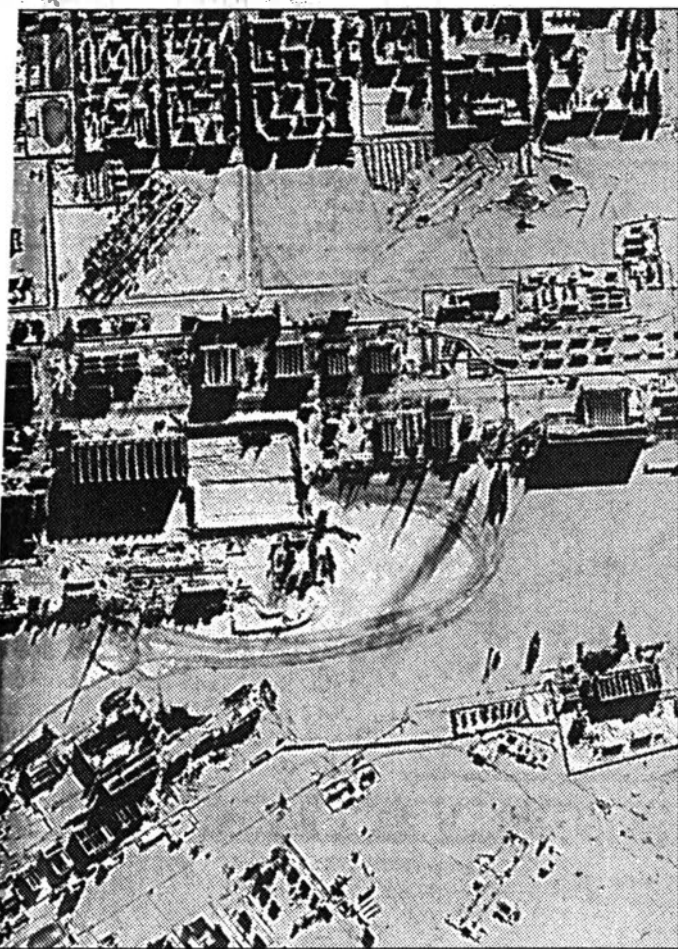
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SERT OF KREMLIN May 28, 1970. These images had role is people moving across Red Square to visit Lenin's Tomb.



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Jim Peaco/National Park Service

Pup in litter born near Yellowstone.

Triumph and Loss As Wolves Return To Yellowstone

By WILLIAM K. STEVENS

THE evening breeze had died and a setting sun was gilding the slopes of the Lamar Valley as Mike Phillips gazed across the steep ravine of Rose Creek and whispered to a visitor, "That area of matted grass to the left of the aspens and the right of the sagebrush — see it?"

There, perhaps 500 yards away, a young, gray female wolf was taking her ease. Three other young wolves, all black, soon came into view through the binoculars. Now 19 weeks old, a little bigger than coyotes and nearly half grown, the four are part of a litter of eight, the first known reproduction by resident wolves in the Yellowstone ecosystem in seven decades and a signal step toward rescuing the gray wolf from the endangered list.

It is a tale of triumph and tragedy with touches of soap opera. The unexpected birth and early survival of the Rose Creek "puppies," as their Federal monitors call them, has helped make the first seven months of the highly controversial effort to restore wolves to Yellowstone more successful than expected. But the father of the pups, a majestic, 122-pound, deep-voiced gray alpha male from Canada simply called Ten, was shot and killed, Federal officials charge, by an unemployed carpenter who took the pelt and head. If convicted, he faces a possible term in Federal prison for killing a member of an endangered species.

The mother of the pups, a black wolf called Nine, aban-

Continued on Page C4

MUSIC

Paul Simon and other performers in unlikely roles. Page C13.



BOOKS

Ann Beattie, dissecting family secrets in a new novel. Page C17.

Triumph and Loss Overlap as Wolves R

Continued From Page C1

done but unwilling to move lest her mate return, gave birth on exposed bare ground, with no protective den, near the town of Red Lodge, Mont., on the outskirts of greater Yellowstone. Federal wildlife biologists recaptured the mother and three-week-old pups and returned them to the fenced enclosure on Rose Creek where Nine and Ten met, mated and lived during their first two months in Yellowstone before being released to the wild.

Here, Park Service biologists led by Mr. Phillips, the manager of the Yellowstone wolf recovery effort, have been acting as surrogate fathers, providing the pups with meat. All eight pups escaped in late July when fallen trees broke the fencing of their pen, explaining the presence of the four on the side of the ravine (one of the four has since been recaptured). Their mother has not left the pen, which has been re-secured, so the escapees stay reasonably close.

Ten left a precious legacy: with his many offspring there are now nearly 25 wolves in Yellowstone and the reintroduction project has taken a major leap toward its goal of 100 wolves, or 10 packs, by 2002. When that goal has also been reached in other areas, in Utah and northwestern Montana, the gray wolf is to be taken off the endangered list in the contiguous 48 states. The species is plentiful and not endangered in Alaska and Canada.

The Yellowstone reintroduction project began last January when three groups of wolves trapped in Canada were put into widely separated acclimation pens in the Lamar Valley. The project has been "extremely successful," said Dr. L. David Mech, an adviser to the project and a leading wolf expert who is with the National Biological Service based at the University of Minnesota in St. Paul.

First, he says, the wolves have bred successfully this year, despite the stress of being moved from their native habitat in Canada and then kept in pens. They had not been expected to reproduce before next year.

Second, they have not migrated back to Alberta since being released from the pens in March, as had been feared. Third, they have killed none of the livestock on the fringes of the park, although it is assumed they will do so eventually. Many ranchers vehemently opposed the reintroduction

plan, even though experience in northwestern Montana, where wolves have reappeared naturally in the last decade, has shown that wolf attacks on livestock are rare and that wolves prefer the wild game with which they evolved over the millennia. Here, as in Montana, ranchers are to be reimbursed for any documented losses to wolves, from a compensation fund maintained by the Defenders of Wildlife, a conservation group in Washington.

All in all, says Dr. Mech, "it is a wonderful start to a monumental conservation effort."

The return of the wolves has struck a chord with the public. Rick McIntyre, a park ranger who leads "wolf hikes" in the Lamar Valley and lectures on wolves, has spoken to almost 40,000 people this summer, confirming the argument that wolves can increase tourism in the region.

But not all opponents have conceded. In July, the Senate Appropriations Committee approved a measure introduced by Conrad Burns, Republican of Montana, to cut funds for the wolf restoration project.

Wildlife biologists say still more animals must be introduced into Yellowstone to assure genetic diversity and hasten the gray wolf's exit from the list of endangered species.

The wolf was the top predator in Yellowstone, and a keystone species of its ecology, until 1926. It was then that the last two animals were killed by park rangers near Soda Butte in the Lamar Valley as part of a formal extermination program. One of three new packs introduced from Canada now bears the name of Soda Butte, after the site of the temporary pen where the wolves were kept to break

Touches of soap opera in efforts to rescue the gray wolf.

their homing instinct.

On its release the Soda Butte pack headed north, to a wilderness area in Montana outside the park, then retreated south again. The pack seems to have settled around the park's northern border, radio tracking of the wolves' movements shows.

A second group, called the Crystal Bench pack, has settled farther



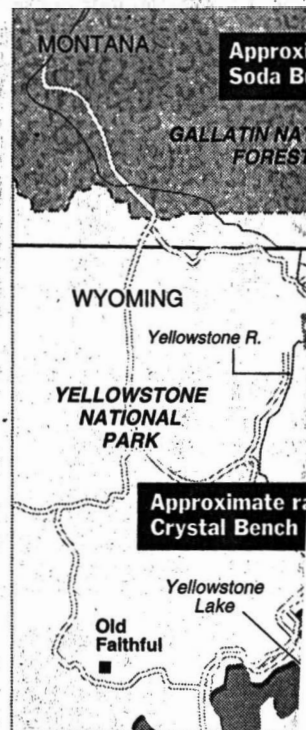
Jim Pesco/National Park Service

Pup, now coyote-sized, was taken with siblings and mother to hold- ing pen after father was killed.

south, adopting the Lamar River as the northern boundary of its territory.

Once released from their acclimation pen last March, the Crystal Bench wolves romped in the snow, rolled on their backs and looked for all the world as if they were celebrating. In the following weeks they conducted a seminar in wolf behavior and ecology for their discreet human observers. The younger wolves chased and ambushed one another, occasionally tossing up a chunk of meat and leaping to catch it in mid-air. Once, a young pronghorn antelope teased a yearling wolf, shifting into warp speed and leaving the wolf in the dust when it tried to pursue.

The pack also encountered a grizzly bear and her two cubs. With their weak eyesight, the bears at first ran away but then regrouped as if realizing, in Mr. McIntyre's words, "Hey, we don't have to run from these guys, they're just wolves." After a tense nose-to-nose confrontation between the mother bear and the wolves' alpha female, the two sides engaged in



mutual chasing back and forth before declaring a standoff.

On another occasion, as hundreds of people watched, three wolves teamed up to steal a grizzly an elk calf it had killed.

One observer captured on tape the wolves' tactics in calf themselves. They picked a calf out of the herd and gave it a nudge. Unable to outrun the wolf, it dropped down into the grass to attempt to hide. When the mother rushed to protect it, the wolves assailed the mother from several directions. The mother chased a little too far, upon which it pounced on the calf. Other to help, but it was too late.

Another videotape shows a tentative and uncertain attack on a bison. Wolves historically prey on bison, but these Canadian bison have had no previous experience with them. On the bison took no guff and eased the wolves by charging a mini-stampede. The wolves learned, however. Folk back from their high-courner pastures to a cooler, snow-dusted Lamar Valley month, they met the bison. This time the bison fled. It did not make a kill but instead to be testing the

What all this adds up to

lap as Wolves Return to Yellowstone

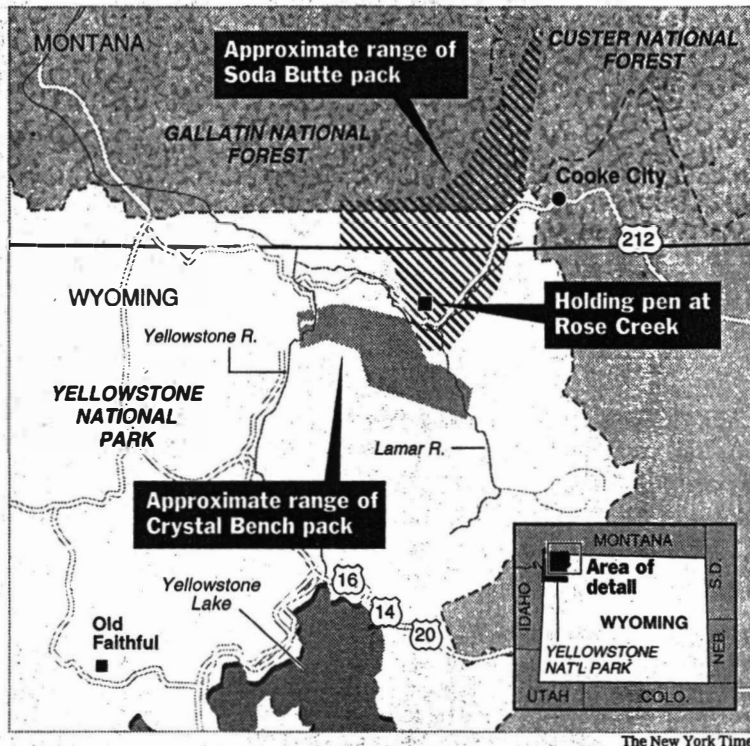


Jim Peaco/National Park Service

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The New York Times

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On another occasion, as hundreds of people watched, three young wolves teamed up to steal from a grizzly an elk calf it had killed.

One observer captured on videotape the wolves' tactics in killing a calf themselves. They picked one calf out of the herd and gave chase. Unable to outrun the wolves, it dropped down into the grass in an attempt to hide. When the mother elk rushed to protect it, the wolves harassed the mother from several directions. The mother chased one wolf a little too far, upon which the others pounced on the calf. Other elk came to help, but it was too late.

Another videotape shows the pack tentative and uncertain around bison. Wolves historically preyed on bison, but these Canadian transplants have had no previous experience with them. On the tape, the bison took no guff and easily routed the wolves by charging them in a mini-stampede. The wolves may be learning, however. Following elk back from their high-country summer pastures to a cooler and briefly snow-dusted Lamar Valley late last month, they met the bison again. This time the bison fled. The wolves did not make a kill but appeared instead to be testing the big beasts.

What all this adds up to, says Mr.

A majestic wolf is dead, killed for its head and hide.

McIntyre, is a restoration of natural ecological processes. The effects of the wolves' predation are expected in time to ripple through the Yellowstone ecosystem, helping reduce swollen elk herds, improving the herds' genetic health by weeding out the weak and sick, taking some pressure off vegetation eaten by overabundant elk, creating carrion for an array of scavengers and affecting natural relationships in thousands of small ways.

But the birth of the family of Nine and Ten has been the big surprise of the project, and has provided its most poignant moments. Nine and Ten, who had never previously laid eyes on each other, were put in the Rose Creek acclimation pen along with Nine's 10-month-old female pup to become the nucleus of a new pack. Immediately, Ten tried to dominate Nine through threatening behavior, but Nine, being an alpha female, did not cower as wolf hierarchy decrees. Soon they were, in wolf terms, a

heavy item.

When the trio was released in March, Ten bounded out right away. But a pregnant Nine, apparently afraid of the gate, which she associated with her human captors, refused to leave. The big male stayed around for five days, trying to coax out his mate. The fact that he would do so, knowing feared humans were about, shows how strong the bonding is between wolves, said Mr. McIntyre.

After Nine did finally leave, the pair struck out north-northeast, toward Red Lodge. Nine's daughter separated from the pair and headed into the north-central part of the park, to its Hellroaring area, where she is successfully killing prey as a lone wolf. It was on April 26 that Ten's radio collar sent out the accelerated series of beeps that signals death.

His offspring are almost ideal from the standpoint of the reintroduction project: four females, three black and one gray, designated 16 through 19, and four black males, named 20 through 23. "It's a great litter," says Mr. Phillips.

The pups now weigh perhaps 35 pounds each but are not yet competent hunters. Mr. Phillips says they probably have not yet even advanced to the preliminary "mousing" stage of learning to hunt. Besides, their permanent teeth are not yet fully developed.

Chad McKittrick, the man accused of killing Ten, goes on trial on Oct. 2 in Federal District Court in Billings, Mont. Sherry Scheel Mattencci, the prosecutor, intends to seek the maximum penalty of two years in prison or a \$150,000 fine. "I want the message to be clearly sent," she said. "You mess with these animals and you will pay a substantial price."

If all continues to go well, Nine and her pups should be released around the time of the trial or soon afterward. Then will begin another phase of the saga. Nine has been unlucky in love; she was separated from a Canadian mate by civilian trappers who captured her for the reward, and the previous mate may have been killed as well. Will she pick out a new mate from the Crystal Bench pack, as biologists hope, thus promoting some lucky young wolf to alpha status? Will her daughter do the same?

The soap opera continues, and on its outcome depends the future integrity of the Yellowstone ecosystem.

THE PRESIDENT HAS SEEN
9/12/95

THE WHITE HOUSE

WASHINGTON

September 9, 1995

MR. PRESIDENT:

Attached are the following weekly
information items:

- (A) Weekly Economic Briefing.
- (B) Interest rates and stock market.
Week ending September 8.

(C) Cabinet Report. *To Eishman*

(D) CEQ Weekly Report. *To Cate*

Jim Dorskind

This .am

Wright



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

THE PRESIDENT HAS SEEN
9/12/95

Kathleen A. McGinty
Chair

September 8, 1995

95 SEP 8 P7:31

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY
CC: LEON PANETTA
RE: CEQ WEEKLY REPORT

STATUS OF APPROPRIATIONS FOR THE CEQ

As you may remember, included in the House VA/HUD Appropriations bill is language which appropriates \$1 million for CEQ while directing that these funds are used for termination of the Agency. Our Fiscal 1996 budget request is \$2.188 and 19 FTE's; thus, the House's mark is a reduction of 54 percent. I met with Chairman Bond (R-MO) yesterday and he indicated that he would not go along with the House's termination language but that we will not get our full budget request. I suspect he will include \$1 million in the mark, and, as such, we will have a significant hurdle to overcome in conference.

TIMBER SALVAGE : COMPLAINT AGAINST U.S. UNDER NAFTA AGREEMENT

The Sierra Club Legal Defense Fund, on behalf of several U.S., Canadian and Mexican environmental organizations, has filed a complaint against the U.S. with the trilateral Commission for Environmental Cooperation (CEC) that was established under the environmental agreement that supplements the NAFTA. That agreement provides that a non-governmental organization may file a submission asserting that Mexico, Canada or the United States is failing to effectively enforce its environmental laws. The CEC Secretariat (located in Montreal) must determine whether the submission merits requesting a response from the United States.

The complaints allege that provisions of the rescissions bill, suspending certain Endangered Species Act requirement to allow for harvesting of timber salvage, violate the requirement in the NAFTA environmental agreement that each Party shall effectively enforce its environmental laws. They also allege that the United States is offending the spirit of the NAFTA itself, which states that it is inappropriate for a Party to encourage investment by relaxing domestic health, safety or environmental measures.

A formal response by the United States would be premature until the Secretariat had determined whether to request one. However, EPA (which represents the United States on

the CEC) has indicated informally that this appears to be an inappropriate case for the CEC, since the issue is not about a failure to enforce our environmental laws but rather is about a legislative change to the law.

With respect to the second allegation, regarding the investment provisions of the NAFTA, the CEC has no direct role. The NAFTA provision on investment states that if there is a concern about this provision by one of the Parties, that Party can seek consultations under the NAFTA dispute settlement provisions, and the CEC is authorized to provide assistance in such Party-to-Party consultations. Neither Canada nor Mexico has made such a request.

ARTIC NATIONAL WILDLIFE REFUGE

OMB is preparing a decision memo for you on declaring ANWR a national monument by Executive Order. A newsweek short note has resulted in questions to Mike McCurry, press in Alaska and a worried telephone call from Governor Knowles. The House Resources Committee's budget reconciliation mark-up is scheduled for September 13. They are expected to open ANWR to drilling on that day. Because this is a politically sensitive issue and a timely one, a decision should be made quickly.

ENDANGERED SPECIES ACT

Congressmen Young and Pombo introduced the "Endangered Species Conservation and Management Act of 1995" this Thursday. The bill would substantially weaken legal protections for species. It includes objectionable "takings" language that would create a new entitlement program, would overturn the Administration's recent victory in the Sweet Home decision, imposes measures that would lead to costly delays in species recovery, and eliminates all restrictions against "incidental take" of all non-fish species, such as marine mammals and sea turtles, in the marine environment. The House Resources Committee is scheduling a hearing on the bill for September 20th, with the mark-up expected on the first of October. The bill will clearly set the mark for the extreme right in terms of ESA reauthorization bills in the House, similar to the Gordon bill in the Senate.



Meanwhile, we have been working with representatives of the Western Governor's Association (WGA), which has completed substantial work on legislative language that in large measure strongly supports your initiatives. You may recall that the WGA was supportive of our "10 Point Plan" for ESA reform. Several Governors issued statements expressing their support. We will be reviewing that language and related strategy over the coming week to determine the best way of advancing our ESA objectives.

PROJECT XL

Your March 26 Reinventing Environmental Regulation initiative launched Project XL, an innovative program that will give industry the flexibility to develop alternative strategies to comply with environmental laws that produce results that will be both cheaper and cleaner. Industry has been very enthusiastic. EPA is expected to announce the first round of projects

in the near future. We are discussing whether yourself or the Vice President could make the announcement.

Despite their enthusiasm, many in industry believe that EPA lacks the authority to approve alternative strategies. They have therefore been pushing for legislation. CEQ and EPA attended the second meeting convened by industry on this subject today. In attendance were staff of Speaker Gingrich, Senators Bond, Lieberman, Johnston, Roth, and Representative McIntosh. In addition, several representatives of industry and environmental groups attended. The meeting was extremely productive. While considerable work remains to be done, the outlines of an agreement on a very positive approach to regulatory reform are visible that would enjoy the support of industry, environmentalists, and a bipartisan group of Congressional leaders. While the odds are long that we will be able to pull this off, we will be pursuing it aggressively in the weeks to come.

Given the breadth of support for this initiative, I am strongly pushing for your presence at the selection event. This is real reinvention and we should make certain that we do not lose ownership of it.

NEW WORLD MINE

After your announcement of withdrawal of U.S. Forest Service land around the New World mine, Crown Butte Mining Company filed 38 new claims on Sunday, August 27th before your moratorium took effect. At CEQ's request the Department of Interior has analyzed the effect of the new claims. They have determined that this action will have minimal impact on the land withdrawal and does not diminish the effectiveness of your decision to protect areas in the vicinity of the New World project from additional new claims. Local and national media have, however, criticized the mining company's action. Their action therefore, I believe reinforces the reasons for your strong action. Attached is a recent editorial.

ENVIRONMENTAL CONCERNS

As part of the 1995 "Best Places to Live" cover story in the September edition of Money Magazine the environment ranked the highest in a recent reader survey of the 41 most important factors they would consider in choosing a place to live. When choosing a place to live clean water ranked first and clean air ranked second, edging out low crime and other issues such as low taxes and good schools. Attached are the results.

READERS' POLL RESULTS

You rate a clean environment over low crime

When it comes to choosing a place to live, you put clean water and air slightly ahead of a low crime rate. That's a shift from last year, when a low crime rate topped the list of our readers' concerns. This spring, we asked a statistically valid sample of MONEY readers to rate 41 factors on a 1-to-10 scale. The low risk of earthquakes, tornadoes and hurricanes rose to the 17th spot from 27. Good public schools also edged higher to No. 10 from 12, while insulation from recession jumped from No. 15 to 11. Carrying less weight this year: job growth, affordable medical care, cheap car insurance and nearby skiing and pro teams.

CHARACTERISTIC	MEAN SCORE	CHARACTERISTIC	MEAN SCORE
Clean water	8.9	Close to colleges	6.8
Clean air	8.7	Recent job growth	6.7
Low crime rate	8.7	Short commutes	6.7
Plentiful doctors	8.4	High civic involvement	6.7
Many hospitals	8.3	Low house prices	6.6
Strong state government	8.0	Affordable car insurance	6.6
Low income taxes	7.8	Near places of worship	6.6
Low property taxes	7.8	Near national forests or parks	6.5
Housing appreciation	7.6	Sunny weather	6.3
Good schools	7.5	Racially diverse population	6.1
Recession resistance	7.5	Close to a big airport	5.8
Low sales taxes	7.4	Near a big city	5.7
Inexpensive living	7.4	Museums nearby	5.6
Low risk of state tax rise	7.3	Good public transportation	5.1
Affordable medical care	7.2	Zoos or aquariums	4.8
Future job growth	7.0	Local symphony orchestras	4.8
Low risk of natural disasters	7.0	Near amusement parks	4.5
High marks from ecologists	6.9	Major league sports	4.3
Near lakes or ocean	6.9	Minor league sports	3.6
Low unemployment rate	6.8	Close to skiing	3.2
Close to relatives	6.8		

SOURCE: ROPER/STARCH WORLDWIDE

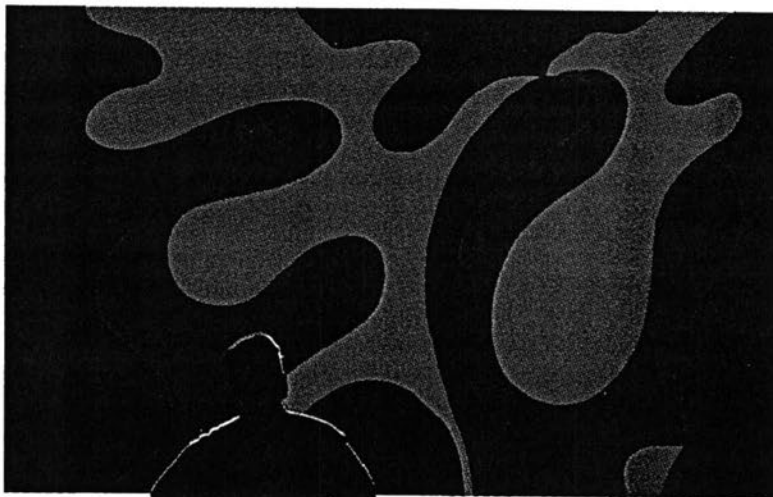
There are other diversions too. For example, the downtown area is brightened by Jacksonville Landing and the Riverwalk shopping, eating and entertainment complexes that flank the St. Johns River. Jacksonville beaches, a 20-mile strip running from quaint Amelia Island to stylish Ponte Vedra near St. Augustine, put weekend getaways within an hour's drive.

You can also see Mayo Clinic doctors without traveling to Minnesota. Mayo opened its first group practice outside of Minnesota here in 1986 and now has 160 physicians on staff. By this fall Mayo will open a new 7,000-square-foot office, the Primary Care Center, in the fast-growing South Jacksonville Beach area.

Both violent and property crime exceed the national averages, but the trend is the city's friend: The violent crime rate fell nearly 10% in 1994.

THE 5 BEST PLACES IN THE NORTHEAST

1. Salem, N.H./Haverhill, Mass.
2. Manchester, N.H.
3. Nashua, N.H.
4. Fitchburg, Mass.
5. Middlesex County, Mass.



To truly appreciate

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and ask,

Money
9/95

The New York Times

Founded in 1851

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ORVIL E. DRYFOOS, *Publisher 1961-1963*
ARTHUR OCHS SULZBERGER, *Publisher 1963-1992*

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Mr. Clinton Acts on Yellowstone

President Clinton is vacationing this year in western Wyoming, playing golf and reveling in the wonders of Grand Teton and Yellowstone national parks. Last Friday, too late for the evening news shows, he took a crucial first step toward protecting Yellowstone and much of the adjacent wilderness from an environmental catastrophe.

This disaster-in-waiting is the proposed New World mine, which a Canadian conglomerate, Noranda, wants to build on land it controls in the upper reaches of Montana's Henderson Mountain, less than three miles from Yellowstone and in the watershed of the irreplaceable Clark's Fork of the Yellowstone River. Conservationists reasonably fear that the 5.5 million tons of waste the company wants to bury in an active earthquake area will ruin this sensitive watershed in America's first and most important conservation zone.

Mr. Clinton toured the mine site by helicopter and then declared a moratorium on mining activity on 4,500 acres of Federal land surrounding the site. The moratorium will not affect the actual site, to which the Canadian company has legal title, and will therefore not by itself stop the mine. But it tightens the noose around the company and signals the need for further action to block the mine if the Canadian company does not read this Presidential order as a signal of American resolve to protect its oldest national park.

The most controversial aspect of the project is a proposed tailings impoundment — a deep reservoir the size of 70 football fields — where the company would store acid wastes. Reputable geologists say that given the region's extreme weather and history of earthquakes, any such structure is bound to crack at some point in the future.

The reservoir would be built on 56 acres of wetlands that lie under the jurisdiction of the Army Corps of Engineers. If the Corps denies a permit to build, the company will have to look elsewhere to store its toxic wastes. Nearly every suitable alternate site is on the 4,500 acres the President has ruled off limits. The company may then be forced to truck its wastes to a site miles away — an operation that could be prohibitively expensive.

This drama is not over. But the President has now ratcheted up the discomfort level. He deserves credit for responding to the rising outrage among the national environmental community over what the miners and some shortsighted Western politicians have tried to portray as a strictly local issue. Heretofore, Mr. Clinton has often disappointed those who thought he would bring a new level of environmental consciousness to Washington. This time he seems to have gotten the message that some places are too precious to sacrifice to a 19th-century mining law that needs to be repealed for both economic and environmental reasons.

THE PRESIDENT HAS SEEN
9/12/98

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Should we do
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Sweatshop Instead of Paradise

Thais Lived in Fear as Slaves at L.A. Garment Factories

By William Branigin
Washington Post Staff Writer

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LOS ANGELES—Three years ago, Sawieng Singsathit was a 38-year-old widow struggling to support two teenage daughters on the \$320 a month she earned at a Bangkok garment factory. Then a friend said she knew a man offering jobs in Los Angeles at up to five times that amount and suggested that they both apply.

"Are you sure it's not hell?" Sawieng recalls asking her friend, nicknamed "Boo."

"Of course not," she says Boo replied. "How could there be any hell in L.A.? It's paradise. L.A. is the city of angels."

But when they got here, Sawieng says, "we just huddled up and cried."

Instead of paradise, the Thai seamstress, now 41, found herself in indentured servitude, confined to what authorities here have described as a virtual "slave labor camp" in a town house complex a few miles east of the gleaming high-rises of downtown Los Angeles. There she routinely toiled 17 hours a day to pay off a \$5,000 "debt"—the price of her passage and falsified travel documents—by sewing women's and children's apparel at piece-work rates amounting to as little as 60 cents an hour.

If she tried to escape, Sawieng says the Thai owners of the illegal sweatshop warned her, they would retaliate against her family in Thailand and burn down her house. She still recalls the even more chilling threat of the

man who recruited her: "A bullet is very cheap."

Today Sawieng is one of 72 Thai workers designated as material witnesses following an Aug. 2 raid that freed them from the seven-town house compound in El Monte, a municipality of 110,000 people that forms part of greater Los Angeles.

The raid resulted in the arrest of eight Thais alleged to be owners and operators of the clandestine sweatshop, which apparently started up in 1988 and supplied millions of dollars worth of clothing through front companies to manufacturers and retailers all over the United States.

The case has spotlighted the sordid underside of America's \$86 billion garment industry and spurred calls for a crackdown on what officials say are its widespread violations of labor laws.

"We have now uncovered outright slavery here in the United States in this industry," said Labor Secretary Robert B. Reich. He said he prays that such conditions are rare, "but I fear that there are many other El Montes waiting to be exposed."

The case has set off recriminations among state and federal agencies over why the sweatshop was allowed to continue operating for more than three years after it was first discovered. And it has become the subject of political finger-pointing between Republicans and Democrats over illegal immigration, budget cuts and law enforcement.

Manufacturers and retailers who bought the sweatshop's clothing have expressed shock over its methods, only to be accused of hypocrisy by union leaders who hold these businesses responsible for driving down wages and working conditions in the industry generally.

California surpassed New York a few years ago as the country's leading apparel producer. Now an estimated 5,000 legal and 1,000 illegal factories have helped make the garment industry the second largest manufacturing sector in California and the fastest-growing one in this vast metropolis.

Faced with stiff competition from imports, the industry has grown here in part because of abundant and cheap immigrant labor.

The vast majority of California's estimated 140,000 garment workers are Latino and Asian immigrants, industry studies show. More than 80 percent of them are women, and thousands are illegal aliens. According to federal and state officials, social workers and union leaders, legal and undocumented workers alike are commonly exploited by employers who shortchange them on wages and avoid billions of dollars in state and federal taxes.

A 1994 survey by the U.S. and California Labor departments found that even among the state's legal garment firms, half paid less than the minimum wage, 68 percent did not pay overtime, 72 percent failed to keep adequate records and 93 percent violated health and safety regulations.

"An epidemic of exploitation is spreading through our neighborhoods and is sapping the economic strength and vitality from the roots of California's financial future," said state Sen. Hilda L. Solis (D), who represents El Monte.

The El Monte operation was part of what federal officials describe as a garment industry "food chain" headed by huge retailers. To cut costs and keep up with fast-changing styles, particularly in women's fashions, the stores have capitalized on "information age" technology.

Bar codes on merchandise allow retailers to collect information instantly on sales and quickly place orders. The practice allows the retailer to display a wide variety of items, reduce inventory costs and avoid close-out sales. And it has helped domestic manufacturers compete with cheaper foreign producers.

But the manufacturers come under pressure to deliver quickly, and they often subcontract the work to sewing and cutting shops. The more than 22,000 of

these shops nationwide compete fiercely for the manufacturers' business and employ the bulk of the country's nearly 1 million garment workers. Typically paid on a piece rate basis, these workers are at the bottom of the chain.

For them, the fast production requirements, retailers' cost-cutting and job competition from illegal immigrants have led to sweatshop conditions that a 1994 General Accounting Office report says differ little from those at the turn of the century.

After profits are taken out at every level, said Rolene Otero, a Los Angeles-based official of the U.S. Labor Department, the price a consumer pays for a garment bears little relationship to its labor cost.

"Manufacturers create, maintain and control this system of exploitation and then cry crocodile tears when the suffering becomes known to the public," the Union of Needletrades, Industrial and Textile Employees charged last month. "This is the dirty secret of the industry."

From the beginning, investigations of the El Monte operation seemed to have been marked by false starts and foul-ups.

The Immigration and Naturalization Service has acknowledged that it first learned of the sweatshop when someone who claimed to have escaped from it called the Los Angeles Police Department anonymously in March 1992 and

THE PRESIDENT HAS SEEN
9-12-95
said 45 workers were being held there against their will. The INS investigated, but the U.S. Attorney's office said there was insufficient "probable cause" for a criminal search warrant, and the inquiry was closed.

It was reopened in May of this year when another escapee, a seamstress, told the INS of alien smuggling and sweatshop operations at the site. Her information was judged to be "dated," however, and the U.S. Attorney's office again refused to seek a criminal search warrant.

El Monte building inspectors also visited the complex at least five times, but the sweatshop continued to operate.

In July, the state Labor Department began its own investigation, obtained a civil search warrant and asked the immigration service to join a multiagency raid set for Aug. 2. After participating in planning for the raid, the INS tried to postpone it at the last minute, then withdrew its three dozen agents and Thai interpreters on grounds that going in under a state warrant would jeopardize a criminal case.

As state and local authorities began raiding the El Monte site and two suspected front businesses, one of the alleged principals walked away after telling agents he had to go to the bathroom.

Federal immigration officers showed up a couple of hours later and arrested everyone, including the 67 women and five men who had been confined to the El Monte compound as sweatshop workers. They were taken to an INS detention facility and at one point were transported in shackles, but they eventually were freed on \$500 bond each.

The INS, meanwhile, raided three more sweatshops Aug. 23—this time

1/2

THE WASHINGTON POST

SUNDAY, SEPTEMBER 10, 1995

Officials Call for Crackdown On Garment Work Conditions

INDUSTRY SUMMIT

2/2

using civil warrants—and arrested 55 persons, including 39 Thai workers. The Thais were not confined against their will as in El Monte, but were apparently paying off similar alien-smuggling debts, immigration officials said.

Among those arrested was a woman who escaped from the El Monte sweatshop in 1992 and sought work in better conditions. She is now being held as an illegal alien.

So far, the El Monte case has produced indictments against nine Thais, including the alleged recruiter, Sukit Manasurangkul, who reportedly flew back to Thailand a week before the raid. Currently being held without bail are Sukit's 65-year-old mother, Sune Manasurangkul, two of his brothers, the brothers' wives and three men identified as guards.

The five-count indictment charges the nine with conspiracy to violate federal laws and with transporting, harboring and employing illegal aliens, offenses that carry maximum total penalties of more than 20 years in prison and \$1 million in fines. Other possible charges, including peonage and involuntary servitude, are under consideration.

In addition, the federal and state Labor departments are suing the defendants on behalf of their former employees for \$5 million in back wages, \$5 million in damages and \$1.6 million in penalties.

All nine have pleaded not guilty to the criminal charges. Although investigators found cash, gold, jewelry and sewing equipment worth nearly \$950,000 at the site and traced wire transfers to Bangkok totaling hundreds of thousands of dollars a month, the defendants claimed indigence and chose to be defended by court-appointed attorneys.

One key potential witness is Ruengthiwa Hongarai, who arrived at the sweatshop in February 1991 and escaped two years later. She was recruited in Bangkok and obtained a tourist visa from the U.S. Embassy there after a marriage of convenience to one of her cousins to help convince consular officials that she planned to return to Thailand, she said in a telephone interview.

Once she started working at El Monte, however, the low pay and harsh regime soon filled her with disillusionment, resentment and a growing sense of desperation. After consulting a Thai-English dictionary, she wrote "Help Me" on a piece of paper and threw it over a fence into an adjacent trailer park, Ruengthiwa said. From a window, she watched an old man pick up the note, read it, then silently walk away.

Sometimes, she said, the workers were allowed to buy ice cream from a vendor who came by the front gate, but the man spoke only Spanish, and the Thais could not communicate with him. All they could do was buy ice cream from him, she said.

She managed to pay off her "debt" in about 18 months and asked to go home, but the owners told her she had to finish her unwritten three-year "contract," Ruengthiwa said. Her health deteriorated, and she lost about 40 pounds.

Then, one afternoon in early 1993, she saw her chance. A guard complained of a headache, and she gave him some sinus medicine that she knew would make him drowsy. As he dozed off, she guzzled a Budweiser to give her courage, then scaled the 10-foot wall behind the town houses, gashing her leg on the barbed wire.

She sought asylum at a Thai Buddhist temple in North Hollywood and eventually moved to New England. There she met an American engineering recruiter, whom she married in March. Now 29, Ruengthiwa plans to testify in the upcoming trial of her former employers.

The stories of other workers do not have such happy endings.

"I thought about trying to escape, but I never had the courage to carry it out," said a 30-year-old seamstress who gave her name only as Sunan.

"I was scared because there were a lot of threats," added a companion, Boonsom, 24.

Both said they never left the sweatshop compound during the entire time they worked there.

Ramduan Seesing, 42, a stout, round-faced woman from the poor northeastern part of Thailand, said she came to El Monte in August 1992 in hopes of earning money to support her twin sons but only managed to pay off her "debt" just before the raid. The incessant sewing gave her headaches and impaired her vision, she said.

Her friend, Sawieng, who came to El Monte at the same time, worried about the teenage daughters she left behind in a house in Prachinburi Province northeast of Bangkok. Her mother had died less than a month before her departure, Sawieng said, and she was able to send back only about \$100 a month. She fretted that her mother's ghost would give her daughters trouble, and she despaired that after her debt repayments, living expenses and remittances, she was not saving any money.

But perhaps the most devastating blow for Sawieng occurred early in her stay at El Monte. Her best friend, Boy, the one who had urged her to go to Los Angeles, joined another seamstress in an escape and vanished without a word.

"She didn't tell me anything," Sawieng said. "She just disappeared." Sawieng decided she had no choice but to finish her three-year "contract," then ask her bosses for permission to return to Thailand.

As she spoke of her ordeal, of her worries about providing for her daughters and of her abandonment by her close friend, the pain of it all seemed to overwhelm Sawieng. Her eyes reddened, and tears began rolling down her cheeks.

"We used to see police cars pass by, and wonder, 'When are they going to come and help us?'" Sawieng recalled, dabbing at her eyes with her loose white T-shirt. "But nobody ever paid any attention to us."

Now, she said, she just wants to go home.

Labor Secretary Robert B. Reich, who says he was horrified by conditions at the El Monte sweatshop, has called a summit of some of the nation's largest clothing retailers to devise ways to clean up the garment industry.

Scheduled for Tuesday in New York, the meeting is aimed at enlisting some of the country's biggest department stores, which have "substantial bargaining leverage in the garment food chain," in an effort to protect the industry, workers and consumers from abusive contractors, Reich said.

Invitees include Hecht's, Bloomingdale's and Disney, which were among the retail giants found to have sold clothes made in the El Monte sweatshop or in three other illegal factories raided in Los Angeles last month.

THE SWEATSHOP TO RETAILER 'FOOD CHAIN':



THE RETAILER

■ The Labor Department found that these retailers stocked clothing sewn by the El Monte operation:

Foley's Petite	Macy's West
Meier and Frank	Robinson's May
Hecht's	Filene's
Kaufman's	Neiman Marcus
Dayton Hudson	Mervyn's
Broadway	Rich's
Specialty Retailers Inc.	Montgomery Ward*
Sears	Fred Meyer
Venture and Lerner	J.C. Penney

*Montgomery Ward has filed suit against New Boys Inc. for allegedly supplying El Monte-made clothing—mostly under the Airtime and Permit labels—in violation of company policy against the use of illegal "slave, prison or child labor." The company said it was removing all New Boys merchandise from its stores.



THE MANUFACTURER

■ Some "manufacturers," which provide clothing to retailers, are only shippers or wholesalers that subcontract the actual manufacture—cutting and sewing—to firms like D&R Fashions.

■ The Labor Department found these firms sold El Monte's clothing to the retailers:

F40 California Inc.	Tomato Inc.
L.F. Sportswear	Ms. Tops of California
Balmara Inc.	New Boys Inc./Voltage Inc.
Point Zero	Excuses Sportswear
Paragraff Clothing Co.	Berno Enterprises
A&M Casuals	US Boys
B.U.M. International	Diane Samandi (Jonquil label)

■ The manufacturers deny any knowledge of the El Monte operation, but the Labor Department is urging them to voluntarily pay some of the \$5 million in back wages it is seeking on behalf of the El Monte workers. So far, only L.F. Sportswear has responded, turning over \$25,000.



THE SWEATSHOP

■ D&R Fashions did the cutting and sewing for the manufacturers. At one time legally registered, D&R was a Los Angeles garment-making shop that served as a front for the El Monte sweatshop, where most of the work actually was done.

THE PRESIDENT HAS SEEN
9/12/95

THE WHITE HOUSE
WASHINGTON

September 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: *Buck* JIM DORSKIND

SUBJECT: *Buck* Information Items

We are forwarding the following information items:

(A) *Buck* Take memo re: Washington Post Op-Ed on Demining Concept.

(B) *Buck* Ickes/Bowles memo re: Women and the budget strategy.

Buck to

THE WHITE HOUSE

WASHINGTON

September 9, 1995

95 SEP 9 P2:21

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Washington Post Op-Ed on Demining Concept

You had asked me about a Washington Post op-ed by a retired Navy officer in which the author argues that his explosive-net concept can and should be used for humanitarian demining operations.

The author's patented concept consists of a net of nylon and detonator cord that ignites on contact. He intended the net to have multiple uses, at sea against ships and torpedoes, primarily as an improvement over existing metallic nets, and also on land, against ground equipment and infantry. A new variant of this net idea (not precisely that on which the author holds his patent) is now under development for an Army/Marine mine clearance system, but it is still in the testing phase. The system is being developed for the purpose of countermine operations in war.

In the same Army command late last year, DOD began a separate, \$10 million effort to research and develop equipment that would assist in *humanitarian* demining operations. These differ in a number of ways from *countermine* operations, because they require a much higher rate of mine clearance reliability -- close to 100% vice 80%. The DOD program is primarily examining equipment that uses existing technologies, so that it can be fielded early, and is low tech, so it can be left behind in mine-afflicted countries. Testing has begun and will continue through the fall. The equipment under development as part of this effort includes systems with flails, rakes and rollers to conduct wide-area mine clearance. In theory, these systems will be able to accomplish what a yet-to-be-tested explosive net could achieve but on more varied terrain (the net is designed primarily for smooth terrain, such as beaches) and with a higher degree of reliability.

Attachment
Tab A Op-Ed

cc: Vice President
Chief of Staff

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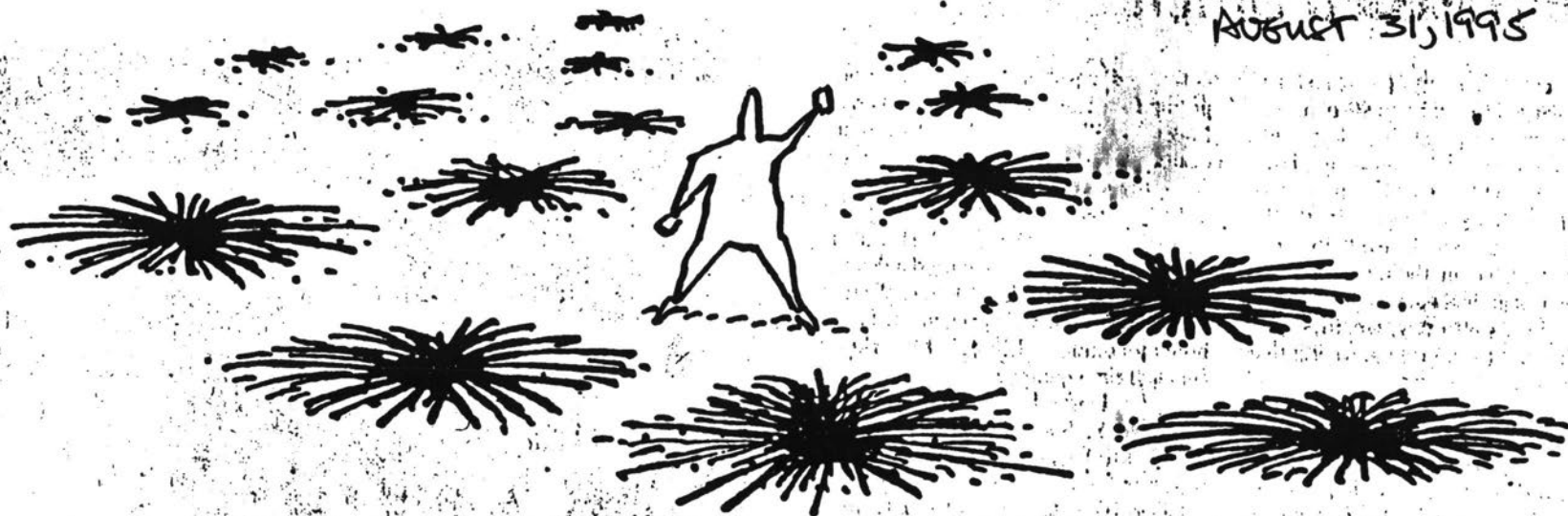
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BY DOUG HALL

James E. Wright

Land Mines: Destroy Now or Pay Later

Two recent articles on the problems of land mines miss a central point. The July 9 op-ed by Anne Goldfeld and Holly Myers, "Killers in the Earth," summarizes the efforts of Rep. Lane Evans to establish a year-long moratorium on the use of land mines. And the Aug. 18 column by Jack Anderson and Michael Binstein addresses the dangers of land mines to civilians. Both articles are based on information from the United Nations and the State Department, but neither offers any new help in the most immediate problem: how to eliminate existing mines that threaten people all over the world.

What is amazing to me is that the only mine-clearing procedures discussed by the United Nations and the State Department involve personnel using metal detectors or, in some cases, simply long sticks. There are several unclassified Department of Defense documents that address more advanced procedures for clearing both in-water and land mines. Unfortunately, the Defense Department is stalling the development and production of one such procedure that could eliminate at least 80 percent of the mines currently in place.

In 1985 the Army and Navy started development of an explosive-net mine-clearing concept and conducted full-scale testing of the concept in

1985, 1990, 1991 and 1994. These tests confirmed that the explosive-net concept would clear almost all mines that are in the field today.

Why hasn't the concept been produced and used to reduce the number of civilians killed or maimed by mines? The problem is threefold:

The defense program for producing the explosive-net system is currently classified. This is done to protect against mine producers' modifying their designs to evade the system.

In addition, mine-clearing systems developed by the military are designed for removal of mines that affect the military. Clearing war zones after completion of military actions has never been considered a Defense Department requirement.

Finally, the salaries of the scientists in Defense Department laboratories are paid by research, development, test and evaluation (RDT&E) funds. Once a program is tested and evaluated and goes into production, the scientists must have new projects (approved and funded by Congress) or face layoff. RDT&E funding has been in a downward spiral for the last five years, with very few new projects being authorized by Congress, and this tempts the laboratories to "stretch out" their efforts for approved research programs.

In February 1991, the defense laboratories

were willing to conduct an explosive-net 90-day "develop to produce" program in support of Desert Storm. When that plan was not implemented, the labs in March 1991 revised the projection to require a minimum of three years to conduct the same explosive-net "develop to produce" program. As of July 1995, the Army, Navy and Marine Corps projections for "initial operational capability" for the explosive-net system are beyond the year 2000.

The current U.S. efforts to establish a moratorium on the production and use of land mines throughout the world are laudable and, with hope, achievable. But the moratorium must be coupled with an effort to clear the land mines that have been laid throughout the world in the last 30 years. The explosive-net mine-clearing system is the most cost-effective way to achieve this goal in a short time (five to 10 years).

Congress must authorize Defense Department production of the explosive-net system so that it is available to the United Nations for mine-clearing operations throughout the world. Otherwise, the funding bureaucracy will keep the program in development and classified.

The writer is a retired Navy lieutenant commander and weapons specialist. He holds a personal patent on an explosive-net concept.

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THE PRESIDENT HAS SEEN
9/12/95

THE WHITE HOUSE
WASHINGTON

September 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: *Buck* JIM DORSKIND

SUBJECT: *Buck* Information Items

We are forwarding the following information items:

✓ (A) *Buck* Lake memo re: Washington Post Op-Ed on
Demining Concept.

✓ (B) *Buck* Ickes/Bowles memo re: Women and the
budget strategy.

Buck to

THE WHITE HOUSE
WASHINGTON

95 SEP 8 P3:32

August 28, 1995

MEMORANDUM FOR THE PRESIDENT

CC: LEON PANETTA
BILLY WEBSTER
ALEXIS HERMAN
BETSY MYERS

FROM: Harold Ickes (HIC)
Erskine Bowles (EB)

SUBJECT: Women and the budget strategy

Attached is an excellent 24 August 1995 memorandum to me and Erskine from Betsy Myers, who heads up the White House Office of Women's Outreach and Initiatives. Betsy, who worked with Erskine at SBA, has been here for some 4 months and is doing an excellent job.

Given the implications of the women's vote for 1996, we need to make greater efforts in having especially you and the Vice President doing more activities that "resonate" with women. For example, it is felt that too many of the photographs of you and the Vice President, are you surrounded primarily, if not exclusively, by men (mostly white). Because of the nature of the staffing of the White House, and especially the staffing of the trips, you are typically surrounded by men, with few, if any, women in the photographs (this does not include, obviously, the photographs of you working rope lines and in crowds).

In short, as a result of the nature of the staffing and many of the scheduled events, there is a "bias" towards men and a "bias" against women. We need to make special effort to rectify this so that women across the country see you in settings that they connect with and see more women in official and campaign type settings.

Betsy's 24 August memo (copy of which is attached) begins to address this specifically in the context of the budget strategy. We have not pushed as hard as we should have to get budget related events involving you that "resonate" more distinctly with women. We will work on this but we wanted to alert you to our concern on this score.

In addition, based especially on Celinda Lake's research, we, the White House, as well as you, need to be more sensitive about language used in speeches and public statements. Much of your natural way of talking does not incorporate language that women are "more attuned

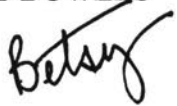
to and find more appealing." We have talked to speechwriters about this, but the fact remains that many of your speeches, and many of your best speeches, are primarily extemporaneous. Towards this end, I suggest a meeting with you, Celinda Lake, Leon, Alexis, Melanne, Betsy and a few others, and HRC if you and she wish, to hear Celinda talk about her research and findings about language that strikes a cord with women.

Also attached is a 31 July 1995 7 page schedule captioned "Cut's to Programs Impacting Women" which Betsy produced.

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August 24, 1995

MEMORANDUM TO HAROLD ICKES
ERSKINE BOWLES

FROM: BETSY MYERS 
RE: WOMEN & THE BUDGET STRATEGY

As I reported in my memorandum to Leon Panetta on July 31, women's organizations and women political appointees are eager to carry the President's budget message. We need your help securing the President's participation and leadership.

More than any other constituency, women -- as breadwinners and caretakers of children and aging parents -- are directly impacted by proposed budget cuts in health, education, job training, Medicare and crime (see attached grid).

Budget cuts directly impact every issue that resonates with women and families and provide a perfect opportunity not only to sell the budget to America but also to give women a reason to go to the polls in 1996 -- if we speak directly to them.

(1) The women's vote will be crucial in '96:

Recent polls and studies abound on the importance of the gender gap and the women's vote in '96. "The Democratic Party could have kept control of Congress had its women been as 'excited' about their party as men were about the GOP," *U.S. News & World Report* reported from pollster Celinda Lake in its survey and article, "What do women want?" (8/14/95).

We are successful with the women's constituencies when the President is perceived as feeling and understanding the daily struggles of the average American family.

- o Women represent more than half of the drop-off voters (those who voted in 1992 but stayed home in 1994). (*U.S. News & World Report*, 8/14/95)
- o White women are now evenly split along party lines in support for congressional candidates. (Public Opinion Strategies)
- o Half of women think Washington budget cuts have gone too far, but half of men say cuts haven't gone far enough. Lower-wage women are the most nervous about the GOP Congress: 61 percent -- more than any other group -- believe Republican budget cuts have gone too far. (*U.S. News & World Report*, 8/14/95)

- o Even "born again" Christians show a gender gap on the budget: A plurality of white, born-again women believe the Republican budget cuts go "too far," while white, born-again men support the cuts by 56 percent to 29 percent. (Lake Research)

(2) Women's concerns mirror the President's budget priorities

Across party lines, women are concerned about budget cuts that will hurt the programs that currently **help their families**, including:

- Education and training programs that help women advance and become self-sufficient and that also provide opportunity for their children;
- Medicare and aging programs that help families care for aging parents;
- School meals and programs for children;
- Health care programs.
- Funding for Violence Against Women Act.
- Earned Income Tax Credit and cuts to the safety net.

New polls show **women's top concerns are family concerns: Jobs, education and crime.**

(3) Our strategy to sell the President's budget includes the following:

I. PRESIDENTIAL EVENT:

I need your help securing the President's participation in at least one of the following events:

- (1) Visit a **predominantly female workplace** (e.g., a hospital, school, factory or office), and talk with workers in an employee lounge or cafeteria. **Working women best represent family concerns:** family checkbook, child care, education, health and Medicare, jobs, and stress from balancing work and family. A nursing home would add a Medicare angle.
- (2) **Kitchen table talk** with a **family** of three generations:
 - **a grandmother** reliant on Medicare and elderly programs;
 - **a mother** concerned about family checkbook, drug-free schools for her kids, help for her aging parents, and student loans and skill grants to continue her education;
 - **a daughter** in Head Start or an older daughter concerned about drug-free schools and college loans.
- (3) Visit a **Battered women's shelter** and host a **discussion on domestic**

violence and GOP cuts to the Violence Against Women Act, despite its funding from the Crime Trust Fund. Participants could include:

- law enforcement officials;
- advocates;
- battered women.

- (4) **White House Town Hall Meeting** with families to discuss the budget cuts' impact on their pocketbooks, their kids and their aging parents.

II. PRESIDENTIAL BRIEFINGS:

The following briefings are necessary for our amplification and communications strategy:

- (1) **Women Appointees' Roundtable** with the President for 30 senior women political appointees whose programs are affected by the budget cuts. Women appointees all have constituencies that have never been touched by the White House. Appointees will amplify the President's message through travel and media.
- (2) **Women Constituents' Roundtable** with the President for 25 women leaders whose organizations and constituents are focused on the budget cuts. These women are necessary for amplifying our message.

III. PRESS EVENTS FOR OTHER PRINCIPALS:

- (1) **"Oprah Winfrey Show"** on women and the budget. This popular show reaches many women who currently are not hearing the President's message.
- (2) **Working mothers' roundtable** discussion with a 10 to 12 typical working women whose personal and family concerns exemplify the impact of the budget cuts. Vice President preferred.
- (3) **PTA meeting** with discussion by community mothers to highlight a family message and education programs.
- (4) **Community college** nursing program with discussion by women on jobs, student loans and skill-grants to highlight a Middle Class Bill of Rights message.
- (5) **Child care center** or Head Start located **inside a supportive business**. Discussion by business leaders and mothers on importance of public-private partnership.

- (6) **Neighborhood safety meeting** with local families and women police officers.
- (7) **Low-wage poultry plant** to target low-wage women with a message on education, health care, minimum wage, and families just above the safety net.

Office of Women's Initiatives and Outreach

July 31, 1995

CUTS TO PROGRAMS IMPACTING WOMEN

	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON EDUCATION AND TRAINING	Women's Educational Equity Act Program: Maintains \$4 million which supports the research, development, and dissemination of curricular materials, training programs, guidance and testing activities, and other projects to promote educational equity for women and girls.	House appropriation bill eliminates this program that shares curricular materials with over 4,000 organizations and individuals yearly, helps schools implement non-discriminatory practices, and trains hundreds of teachers.
	Federal Direct Student Loan Program: Supports direct loans and phase out of guaranteed loans in order to save money for taxpayers. Lower cost of borrowing for students and reduce costs for schools.	House appropriations bill cuts administrative funding \$230 million, leaving less than what is needed to administer the direct loan program which will stop growth of efficient, cost-effective direct lending in order to keep paying banks, state agencies, and secondary markets. Republican budget reduction proposals also support the costly guaranteed programs instead of the direct loan program and will therefore charge students billions more (over seven years) for their college loans.
	Education for Disadvantaged Students: Boosts funding by \$302 million, to over \$ 7 billion per year, to help states raise academic achievement of 6.4 million disadvantaged children.	House bill reduces funding by \$1.1 billion, cutting up to 1.1 million children from program, and eliminating as many as 29,000 teacher and aide jobs.

CUTS CONT.	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON EDUCATION AND TRAINING	Safe and Drug-Free Schools and Communities: Provides funding at \$500 million per year, for a safer, more drug-free learning environments for 39 million children in over 14, 000 school districts.	Reduces funding to \$200 million, a 60% cut from the President's request, depriving over 23 million students of services next year.
	Head Start: Increases 1996 funding by \$400 million and adds 32,000 new Head Start slots for children in 1996--and 50,000 new slots by 2002.	Cuts funding by \$137 million from 1995 level, shutting out 45,000-50,000 children from Head Start in 1996.
	Women in Apprenticeship and Nontraditional Occupations: Maintains funding at \$774,000 to promote training and employment opportunities for women in nontraditional fields.	Cuts funding by 18%.
	Goals 2000: Provides \$750 million in 1996 to raise academic standards and student achievement eventually in all schools, and in 1996 in more than 16,000 schools serving 8.8 million students in 48 states.	Eliminates all funding for education reform, severely undermining state and local efforts to improve student achievement. Without this funding, much needed improvements in teacher training, educational technology and parental involvement will not be implemented.
	School-to-Work: Boosts funds to \$400 million, a 60% increase over 1995, to support all states' building school-to-work systems with 1-year planning and 5-year implementation grants.	Cuts funds from the President's 1996 request to \$190 million, impairing efforts of 28 states to complete reforms begun in 1994 and 1995, and denying 22 states the chance to implement their reform plans to raise student skills and build a more competitive workplace.

CUTS CONT.	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON FAMILIES AND CHILDREN	Low Income Home Energy Assistance Program (LIHEAP): Provides \$1.319 billion in 1996, matching pre-recission 1995 level.	Eliminates the LIHEAP program, ending assistance to between five and six million low income families.
	Food Stamp Program: Will serve 27 million people in 1996, about 60% of whom are female.	The House 1996 appropriations bill decreases benefits by \$190 million, freezing the food stamp standard deduction at the 1995 level. The Republican budget reduction would cut Food Stamps over \$35 billion over seven years.
	Special Supplementary Nutrition Program for Women, Infants, and Children (WIC): Increase funding in 1996 by \$350 million and adds 200,000 women, infants and children to the program.	Funds WIC at \$90 million below the President's request, serving 50,000 fewer women, infants and children.
	School Meals Initiative: Provides \$26 million to help schools meet Dietary Guidelines for healthy meals.	Provides \$5 million for the School Meals Initiative, \$21 million below the President's request.
	Public Housing: Provides \$8.1 billion in 1996 for public housing capital and operating funds, enough to reduce a backlog of capital needs, tear down or reconfigure the worst projects, and prepare for a proposed transition to portable assistance, giving choices to public housing residents.	Cuts 1996 funding by 37%, or \$3 billion. These cuts will force public housing authorities to under-maintain and abandon projects or cut security and services.

CUTS CONT.	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON DOMESTIC VIOLENCE PROGRAMS	Violence Against Women Programs at the Department of Justice: Increases funding from \$25 million to \$175 million.	Cuts funding by \$100 million to \$75 million. These cuts threaten the full enforcement of the VAWA, where they are concentrated at the local level. These cuts will be felt in local shelters, police stations, and courthouses, where they are desperately needed.
	Violence Against Women Programs at the Department of Health and Human Services: Increases Crime Trust Fund funding for rape and domestic violence prevention, domestic violence education, battered women's shelter, and a domestic violence hotline from \$1 million to \$61.9 million.	Cuts \$21.9 million from the President's 1996 request, eliminating programs to reduce sexual abuse of youth and providing less funding for battered women's shelters.
EFFECTS ON OLDER WOMEN	Administration on Aging: Boosts funds by \$21 million, to \$897 million. Maintains 1995 level for nutrition programs that include Meals on Wheels.	Ends 7 of 12 elderly programs and cuts funds for all others, but one. Organizations like Meals on Wheels would be reimbursed for 12 million fewer meals served to older Americans.
	Medicare: Eliminate the co-payment for mammograms for senior women.	No Republican proposal yet.
	Respite Care for Families of People with Alzheimer's Disease: Helps Medicare beneficiaries who suffer from Alzheimer's disease by providing respite services for their families for one week each year.	No Republican proposal yet.

CUTS CONT.	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON OLDER WOMEN	Home and Community -Based Care: Provides grants to states for home- and community-based services for disabled elderly Americans.	The average beneficiary will pay at least \$1400 more in 2002 for home health care services, and the average Medicare recipient will pay \$1000 more for skilled nursing home services.
	Medicaid: Contains a mix of policies that save \$54 billion between now and 2002 and protects critical coverage for senior women.	Cuts \$182 billion from Medicaid over the next seven years by making the program a block grant to states which leads to lower benefits for low-income mothers and children and the elderly and disabled.
	Options: Expands the managed care options available to beneficiaries to include preferred provider organizations and point-of-service plans.	Utilizes vouchers which may threaten Medicare access of the elderly to high quality medical care.
EFFECTS ON HEALTH CARE	Substance Abuse & Mental Health Grants: Roughly maintains 1995 level of \$566 million.	Cuts 64%, or \$364 million, compared to the President's plan, jeopardizing substance abuse and mental health services for tens of thousands of pregnant women and high-risk youth.
	Title X. Requested \$199 million for Family Planning grants, \$6 million above the FY 1995 level.	Abolishes Title X family planning grants, the Community Health Centers, and the Maternal and Child Health Block Grant and reallocates the \$193 million. There will be no guarantees that these funds will be used for family planning services.
	Human Embryo Research.	Prohibits Federal funds from being spent on research that involves human embryos.
	Medicaid Funding.	Allows states the option to deny Medicaid funding for victims of rape and incest abortions.

CUTS CONT.	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON HEALTH CARE	Funding for Residency Accreditation Related to Abortion Procedures	Prohibits Federal funds from being dependent on residency accreditation requirements that include abortion training.
	Federal Employees' Health Benefits Program. (FEHBP)	Precludes Federal employees and their families from purchasing health insurance coverage through FEHBP that covers abortions.
	Abortion Services.	Bans privately funded abortion services at U.S. military hospitals and other federal facilities to women stationed overseas.
EFFECTS ON THE ECONOMY	Department of Labor Wage & Hour Administration: Provides \$117 million to enforce the Family and Medical Leave Act and other worker protections particularly for low wage workers.	Cuts 7.5% of the Wage & Hour enforcement office which threatens the office's ability to handle any enforcement of the Family & Medical Leave Act. Reduces the number of low-wage women (e.g., in garment sweatshops) whose minimum wage and hour rights are protected (women account for the majority of minimum wage earners).
	Small Business Administration's Office of Women's Business Ownership: Provides \$4 million for the Women's Demonstration Site Program.	Cuts 50% of the funding of the President's 1996 request to \$2 million for the Women's Demonstration Site Program. Significantly reduces the amount of business education and training SBA can provide to women-owned small businesses.
	Department of Labor, Women's Bureau: Provides \$9 million to promote the interests of wage-earning women.	Cuts budget by 7.5% from the 1995 level.

CUTS CONT.	PRESIDENT'S PROPOSAL	REPUBLICAN CUTS
EFFECTS ON THE ECONOMY	Small Business Administration, National Women's Business Council.	Reduces budget from \$500,000 in 1994 to \$200,000 in 1996.
EFFECTS ON SERVICE PROGRAMS	Community Service Employment for Older Americans: Increases 1996 funding by \$15 million to provide almost 2,500 additional part-time work opportunities for low-income persons age 55 and older to work in community service activities.	Cuts funding by \$46 million, eliminating over 5,500 opportunities for elderly low-income women to work in part-time community service jobs.
	AmeriCorps: Increases funding by \$211 million and adds 20,000 new service opportunities for Americans to address vital local community needs such as health care, crime prevention and education.	Terminates AmeriCorps, eliminating nearly 25,000 opportunities for women to serve their communities and earn a monetary award to help them further their education or training.
	Volunteers In Service To America (VISTA): Increases funding by \$12 million to allow an additional 800 VISTA volunteers to work in low-income communities to alleviate poverty.	Cuts the VISTA program by 57% and denies nearly 2,400 women the opportunity to serve in their communities as VISTA volunteers and earn a monetary award to help them further their education or training.
	National Senior Volunteer Corps: Increase funding by \$32 million to provide Americans age 55 and over the opportunity to help the homebound elderly, disabled children, troubled adolescents and others in their communities.	Cuts funding by \$53 million and denies nearly 130,000 older women the opportunity to serve their communities.

THE PRESIDENT HAS SEEN
9/12/95

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The Washington Times
SUNDAY, SEPTEMBER 10, 1995

Peace Corps fires doctor who backs abstinence from sex

By Joyce Price
THE WASHINGTON TIMES

A doctor overseeing Peace Corps medical services in some AIDS-plagued countries was fired after a supervisor complained about his advocacy of abstinence, his objections to condoms and his recommendations that Peace Corps volunteers not have sexual relations with Africans.

The Peace Corps says Dr. J. Ricker Polsdorfer, a board-certified family practice physician from Averill Park, N.Y., was terminated as part of a reorganization "to improve operational efficiency."

But Dr. Polsdorfer, who was fired in July, eight months before his 30-month assignment was scheduled to end, says he's convinced he was "dumped" because of the strategies he recommended for fighting AIDS.

Dr. Polsdorfer has retained a lawyer to appeal his dismissal. He

said his primary goal is to receive the \$66,000 in income he lost as a result of being ousted.

The doctor, who was based in Harare, Zimbabwe, was responsible for supervising medical care in that country and three other nations in southern Africa: Zambia, Malawi and Madagascar. He said he was on call to provide services in Botswana, Namibia, Lesotho and Swaziland.

Dr. Polsdorfer described the AIDS epidemic in those countries as "devastating," pointing out that the rate of infection for the human immunodeficiency virus, which causes AIDS, is at least 10 percent in some nations and as high as 79 percent in urban areas.

In the last performance evaluation he received, Dr. Polsdorfer's positions on AIDS and AIDS prevention were criticized by David Bellama, the Peace Corps director in Zimbabwe.

In the evaluation, written in March, Mr. Bellama said his "most

serious problem" with the doctor's approach was the "very rigid stance you have taken on HIV/AIDS."

"You have pushed this stance to the point that you promote only abstinence, disapprove of the use of condoms and have openly expressed the belief that sexual relations with host country nationals should be against Peace Corps policy," Mr. Bellama wrote.

"You and I have discussed this repeatedly, and I have outlined my position that this approach on your part has been unrealistic, unhelpful, unsupportive, and even counterproductive to PCVs [Peace Corps volunteers]. Not only have the vast majority rejected it, but because of it, they are left with the impression that you will not be of any help to them in issues related to this. What is worse, if they listen to you, their confidence in condoms (and in you) is eroded."

Mr. Bellama went on to say that,

as long as Dr. Polsdorfer continued his stance on HIV and AIDS, "I cannot in good conscience say that you are performing your duties in this job element at a satisfactory level."

"When you undermine condoms as a protection against HIV/AIDS, you are not helping PCVs, you are hurting them," the supervisor said.

Craig L. Parshall, Dr. Polsdorfer's attorney, said his client "did not promote only abstinence, but he did emphasize it as the only sure way to good personal and public health, with condoms a distant second."

Dr. Polsdorfer, who has returned to this country, said in a telephone interview: "From the very beginning, I'd say I don't have any good news about this disease. I came down pretty heavy that risky sexual behavior is suicidal."

But he said it seemed to be the position of Mr. Bellama and many

others in the Peace Corps that having sexual relations with residents of a host country is a "high road to cultural integration."

Peace Corps spokesman Tom White said he was not familiar with Mr. Bellama or his evaluation of Dr. Polsdorfer. The Peace Corps recognizes abstinence is the "safest position" and "encourages" it, "but sexual relations are going to happen, and in good conscience we have to train people as to the hazards of unprotected sex," he said.

Mr. White said the Peace Corps provides condoms as a "necessary safety measure."

As for the decision to fire Dr. Polsdorfer, Mr. White said it was "entirely due to budget constraints." He said the number of Peace Corps "area medical officers" in Africa was reduced from seven to six as part of a cost-cutting reorganization, and Dr. Polsdorfer's job was the one eliminated.

Mr. White said the Peace Corps had the legal authority to terminate Dr. Polsdorfer because he was a "time-limited appointment." Mr. White said such appointees can be fired with 30 days' notice.

Mr. Parshall said his client signed a "letter of appointment" to serve 30 months. Both he and Dr. Polsdorfer acknowledged that the letter stipulated the physician served at the "pleasure of the director."

Nevertheless, Dr. Polsdorfer said he believes he's entitled to eight months of income. He said Sandy Robinson, a regional Peace Corps director in Africa, "told me I didn't fit in the job" and "offered to buy out my contract" to get him to leave, and he agreed.

"But apparently she couldn't do that, so finally they terminated my position in Zimbabwe," the doctor said.

Mr. White said he knew nothing about a buyout offer and could not comment.

Texas Saying Goodbye To Paper Food Stamps

Debit Card System Designed to Reduce Fraud

By Merrell Foote
Special to The Washington Post

SAN ANTONIO—Paper food stamp coupons are becoming a thing of the past in Texas, and Renee Johnson is not too happy about it.

These days, welfare recipients like Johnson, a 33-year-old homeless woman who lives on the streets of this central Texas city, buy their food with the Lone Star card, the state's sophisticated new electronic debit system.

And that's the problem, she says: Under the new system, she has no choice but to spend all of her benefits on food.

"I used to keep my change from the food stamps and add it up to buy toilet paper, soap, stuff that I need," Johnson complained. "I can't do that anymore."

But what Johnson dislikes is exactly what supporters are applauding about the new electronic benefits transfer (EBT) program, which began operating in the Houston area in February and is expected to be in use statewide by November.

While Johnson and other recipients say they used the change from their food stamps for household necessities, critics of the old system contend the paper food stamp coupons frequently were sold on the black market and used to buy cigarettes, alcohol or drugs.

"People would come in here to buy a small item, like a piece of candy, with their food stamps to get the change. They would come in again and again until they saved up enough to buy a beer," said Kim Kyong Su, 59, owner of Kim's Grocery here.

Karimali N. Ali, a store clerk at the Super Mart convenience store here, said he used to see children coming into the store with food stamps to buy candy and get change for their parents, who would then buy beer or cigarettes with the change.

He believes the Lone Star system is an improvement. "There are no small kids coming in with food stamps anymore," he said.

Other states are closely watching the Texas experience. Maryland has had an electronic benefits program in place for several years, but Texas's program is far larger: It will serve more than 1.3 million households through 16,000 retail locations, about 10 percent of the nation's food stamp market, compared to Maryland's 168,000 households and 3,400 retailers.

New Mexico is in the final stages of statewide expansion of its EBT program, and eight states are operating pilot projects. The District of Columbia, Puerto Rico and 33 other states are in the planning stages.

One of the features attracting states is the prospect of reduced levels of fraud.

"The ability to traffic or deal in food stamps has been cut back by the use of the card," said Carl Hobbs, a Harris County assistant district attorney. "Fraud is still occurring in the stores, but to a lot lesser degree. The street level activity is gone."

An added benefit of the EBT system is the creation of a paper trail to better track fraud by retailers, according to Mike Cooper, who investigates welfare fraud for the Texas Department of Human Services.

The bright red, white and blue card with the sophisticated Lone Star logo is more secure than food stamp coupons. Each recipient has a separate account with a debit card and a personal identification number known only to the cardholder.

Benefits for recipients of food stamps and Aid to Families with Dependent Children are electronically deposited into recipients' accounts each month and are immediately available for withdrawal. The exact amount of each transaction is deducted from the cardholder's account, eliminating the exchange of cash.

After each transaction, customers get a receipt showing their account balance. Unspent funds remaining in the account at the end of the month are carried over.

The Lone Star cards are easier to carry than the food stamp coupons and less likely to be lost or stolen. Unlike paper food stamps, lost or stolen cards can be replaced.

"Clients tell us they feel much safer

using the card," said Jessica Shahim, an employee of the Texas Department of Human Services and spokeswoman for the Texas Electronic Benefits Transfer Project in Austin, which coordinated the state's efforts to set up the card system.

Maria Romero knows the frustration and despair of losing food stamps. The 33-year-old San Antonio housewife said she has been robbed of her food stamps several

times, including by store clerks who miscounted her stamps.

"There's nothing you can do when your stamps get stolen," she said. "The card is better because you don't have to worry about losing your stamps."

Consumers aren't the only ones to benefit from the Lone Star card. Under the old paper food stamp system, retailers had to keep track of hundreds and thousands of food stamps each day, counting them out and depositing them with local banks.

Now, the EBT computer tracks each retailer's daily food stamp sales. There's no question about the amount due from customers for purchases, and money no longer changes hands. And reimbursements for EBT sales are electronically deposited into retailers' bank accounts the next day.

THE PRESIDENT HAS SEEN

9/12/95

To Main/Kawach
Pg 1 - Suwulley
Printed under
to do this -

What We Need To Do... To Reduce Crime

CHARLES ROBINSON won't be coming to your neighborhood any time soon. Jurors in Oklahoma City made sure of that. Late in 1994, they convicted him of a series of sex crimes and recommended that he be sentenced to the state penitentiary for a total of 30,000 years.

Even for the unspeakable crimes Robinson committed—his victim was a 3-year-old relative—his sentence, which the judge agreed to, might seem harsh. But that jury knew something startling about Robinson's past: "In the past 12 years, he was sentenced to 18 years in prison for a series of property crimes," said the prosecutor, Patty Wallace. "He has done about four. That jury did *not* want Charles Robinson to be out in the community again."

In Oklahoma, only the most serious offenders do more than a fraction of the time they were sentenced to. Unfortunately, Oklahoma is not an exception. According to U.S. Department of Justice figures, much of the crime in this country can be traced to criminals like Robinson, who pass repeatedly through the revolving door of the justice system, making pit stops in prison between offenses.

"That's the pattern," said Patrick Langan of the Bureau of Justice Statistics. "A small segment of the population and a small group of offenders is responsible for a lot of the crime in this country."

In a recent study of arrests in the nation's largest cities and counties, Langan found that 39 percent of the people arrested for murder had criminal records and were out on bail, work release, furlough, parole or probation, or were fugitives. In fact, the overwhelming majority of convicted criminals either go back on the streets immediately after trial or get back out within a few years: Many convicted felons (54 percent) are given suspended prison sentences and only do probation. Within three years,

BY MICHAEL RYAN

66 percent of them either commit another crime or violate the terms of their probation.

What is the answer to the problem of repeat offenders? Experts offer several recommendations:

- **Overhaul the juvenile-justice system.** Statistics show that most criminals start their careers as juveniles. "We designed a juvenile court system 30 years ago, when crimes were less violent and juveniles committed less-violent crimes," said Paul Cassell, a law professor at the University of Utah. "One of the solutions is to stop treating 16- and 17-year-olds who commit violent crimes as juveniles."

- **Develop a comprehensive nationwide database.** This would allow police and prosecutors to discover a defendant's record and use it to gain stiffer sentences. The database also should include juvenile offenders. "Right now," noted Langan, "a chronic juvenile criminal with a very serious record turns 18 and overnight becomes a born-again first offender. That should be changed."

- **Toughen and enforce probation standards.** Current standards are shockingly lax. While most probation sentences mandate either a fine or some form of community service, Langan discovered that only about 51 percent of probationers ever satisfy the special conditions imposed on them. Fewer than half ever pay their fines. "These probationers are discharged nonetheless," said Langan. "It's pretty disturbing." The problem, he added, does not lie with probation officers but in a system that needs an overhaul. His solution? "We need more resources to monitor compliance."

- **Reform requirements for parole.** "People must have a chance to turn themselves around," said Carl Robins, a former prison inmate who reformed himself, gained parole and is now a spokesman for the Texas Employment Commission. "There are some people you have to write off, but that's not the majority of convicts," he explained. "And if they come out of prison not being able to hold a job or make a living, they're going back in. We have to say to convicts, 'You don't know how to make a living, you don't have an education, a GED. You're going to have to learn, or you don't get out on parole.'"

Until reforms are instituted, we will all be victims of a system that offers only haphazard punishment and little rehabilitation. And we can count on seeing the same faces back in the streets, in the courts and in prisons. "For any punishment to be effective, it's got to have teeth in it," noted Robins. "That means, if you commit a crime, you're going to prison. And you're going to have to serve some serious time." ■

THE PRESIDENT HAS SEEN.
9/12/95

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The Washington Times
SUNDAY, SEPTEMBER 10, 1995

U.N. auditor finds no fiscal oversight

Stunned by waste, other deficiencies

By Refet Kaplan
THE WASHINGTON TIMES

The United Nations' top auditor acknowledges he was "surprised" at the extent of the financial supervision at the multibillion-dollar organization he joined 10 months ago.

That's because there didn't seem to be any.

"The United Nations had existed for almost 50 years without effective internal oversight," says Karl Paschke, who took the newly created position of inspector general in November 1994 at the insistence of the United States.

"I think that [historical lack of oversight] is part of the problem," Mr. Paschke said in a recent interview with reporters and editors at The Washington Times. "There is waste, there are awkward procedures, and the management culture, to put it in a phrase, is deficient."

Mr. Paschke and his staff of roughly 100 face a rather daunting task: to start cleaning up the internal financial operations of the United Nations or risk losing the contributions of the United States, which is assessed 25 percent of the regular U.N. budget and an even larger percentage of peacekeeping costs.

He appears to have the right qualifications for the job.

As director-general for personnel and management of the German Foreign Ministry from 1990-1994, he was responsible for dismantling the former East German foreign service during the reunification of Germany. Those credentials should well serve a man charged with investigating what critics say is an equally Byzantine operation.

Mr. Paschke, whose formal title is undersecretary-general for in-

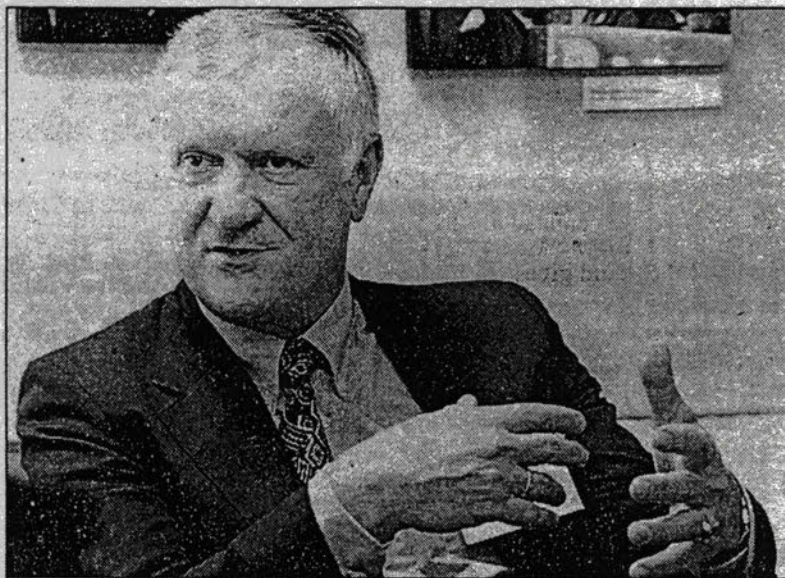


Photo by Bert V. Goulat/The Washington Times

U.N. inspector general Karl Paschke says, "There is waste, there are awkward procedures, and the management culture . . . is deficient."

ternal oversight services, notes he does not have the executive power to change policy. What he can do, however, is "control, oversee, audit, evaluate, monitor, inspect, and give management advice and make recommendations."

He will be closely watched in his five-year, nonrenewable term, particularly by Republicans in Congress who don't believe the United States is getting its money's worth at the United Nations.

Mr. Paschke seems aware of the pressure but not intimidated by it. And while he prepares to issue his first annual report, he said he has identified three key areas that are in most urgent need of closer oversight:

- Peacekeeping operations, an increasingly large chunk of U.N. expenditures.

These operations, which could cost more than \$3 billion this year, is "where internal controls are not always readily observed, and where managers think they can cut corners."

- Humanitarian operations in

places like Rwanda, where, like peacekeeping, "a lot of money is involved."

Also like peacekeeping, these humanitarian operations are usually in high-risk areas where the chances of fraud and abuse are greater

- The "entire area" of procurement.

"If rules and regulations and not observed . . . where money is involved, you always have the chance for things to go wrong," he said.

But Mr. Paschke's strategy in controlling these programs may disappoint those in Congress who are looking for a quick fix.

"I believe very strongly that we are going to be more effective addressing the little issues," according to Mr. Paschke.

"What the Congress expected me to do was to come into office on November 15th and kick out the first people in the street, close the first two departments and shut down the first two agencies . . . by the 16th. I'm somewhat frustrated when I see these expectations."

THE PRESIDENT HAS SEEN
9/12/95

THE WHITE HOUSE
WASHINGTON

September 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: JIM DORSKIND

SUBJECT: Political Information Items

We are forwarding the following political information items:

- (A) Sosnik memo re: Media Campaign.
- (B) Ickes memo re: Fundraising costs for the C/G '96 Re-elect.
- (C) Sosnik memo re: Pete Wilson.
- (D) Ickes memo re: Bi-Weekly report of the Democratic National Committee, dated 30 August 1995.
- (E) Ickes memo re: DNC fundraising.
- (F) Ickes memo re: Kevin Phillips, The Washington Post article of 6 August 1995.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001. memo	From Harold Ickes re: Fundraising Costs (9 pages)	09/07/1995	Personal Misfile
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COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 7689

FOLDER TITLE:

Chron Files September 10-16, 1995 [3]

2019-0774-S

rs3295

RESTRICTION CODES

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

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

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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Comments on Letter to the President Concerning Medicare Reform

- Overall, we agree with the writer that a prospective payment system for SNFs would be an appropriate cost containment mechanism. If properly designed, it would effectively reward more efficient providers. In addition to considering a prospective per diem payment (as advocated by the writer), we would be interested in a prospective payment per episode of care. In this way, SNFs would not be rewarded for long lengths of stay.
- The letter raises the point that the current reimbursement structure fails to reward cost effective providers. While we are interested in the examples the writer provides, it should be noted that the prospective payment system for inpatient hospital care does reward efficient hospitals.
- With regard to the writer's comments on the cost effectiveness of in-house services to reduce overhead costs, this has been raised as an area of concern in the past and we are interested in examining the differential payment made to in-house and outside vendors for therapy services.
- With regard to cost control efforts on SNFs, we agree with the writer that both cost and volume of services are important in cost containment.
- The writer is accurate in noting that the prospective payment system for hospitals reflects historical lengths of stay. Reducing length of stay has been a central strategy in the private sector to reduce costs. Alternatives to adjust for reduced length of stay include rebasing the prospective payment system and reducing the annual inflation update factor. Most recently Congress has acted to reduce the update by approximately 2.0 percentage points to reflect improved efficiency in the industry. While this may be an imperfect mechanism, it is straightforward to implement.
- The writer also comments that current regulations interfere with the provider's ability to negotiate special purchasing arrangements. We would note that the President and Vice President have demonstrated a commitment to reducing regulatory burden. For example, the requirement that each Medicare claim form be signed by a physician was recently eliminated.
- The writer raises the issue of flexibility for providers to negotiate special purchasing arrangements. We are also interested in pursuing policies to expand the flexibility of the Medicare program to negotiate prices with providers. Specifically, we are interested in negotiating arrangements with "Centers of Excellence" and competitively bidding certain services such as laboratory and durable medical equipment. We are unclear, however, what the writer intends by advocating that "the provider would be responsible for negotiating the cost of those services and would assume the risk of excessive services."

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AUG 17 1995

*cc: Carol Lisco -
Can I discuss
how to handle w/ you?
August 10, 1995 NH*

Nancy Henzeich



BEVERLY
ENTERPRISES

Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President,

As I indicated to you when we met, I share your deep concern with controlling the escalating costs of health care in this country, particularly the cost to the Medicare Program. I believe that the present system does not promote cost-containment and penalizes providers that reduce program costs. I am convinced that the present system can be redesigned to achieve savings to the program without wholesale reduction of benefits, elimination of valuable programs or the diminution of the quality of care for the elderly we serve. However, attempts at budget-cutting that do not address the fundamental cost distortions in the current program will result in the wrong dollars being cut and a continuation of waste and inefficiency.

To me, the most troubling aspect of the current reimbursement structure is its inability to reward cost-efficient providers of services. Indeed, providers are penalized for effecting cost savings for the program. As I described in our meeting, Beverly Enterprises brought in-house approximately \$200 million in therapy services previously provided by outside vendors. The outside vendors' unit cost was \$95 per hourly treatment while Beverly's in-house cost was \$60 per hour for the same service. This saved the Medicare Program in excess of \$50 million, but because Medicare allocates reimbursable overhead based on program costs, the reduction in costs to the program caused Beverly to lose over \$4 million in overhead reimbursement. Such a result is unlikely to motivate other providers to seek similar cost savings for the program. Similar opportunities for cost savings exist across the spectrum of Medicare services, provided economic motivations for providers to realize such savings exist.

With respect to skilled nursing, Medicare's cost control efforts have concentrated on placing upper limits on the unit cost of certain elements of care, such as direct nursing and physical therapy, rather than on the total cost of care for a beneficiary. Indeed, many of the features of the program actually encourage maximizing the volume of services. Thus, while routine cost limits have contained direct nursing costs, ancillary volume and utilization has dramatically increased.

In addition, a number of other anachronisms have become engrained in the system which have served to greatly magnify total costs. For example, when adopted, the DRGs for hospitals reflected historical lengths of stay. Since then, a dramatic reduction in length of stay has been achieved reflecting both the changes in the incentives within the program and as a reflection of the managed care environment, yet there has been no re-basing of the lengths of stay underpinning the DRG system. As a consequence, Medicare enjoys none of the economic benefits of reductions in length of stay.

I believe that it is possible to create standardized payment amounts for various levels of long term care that would cover all aspects of the non-acute long term course of care under a single, all-inclusive payment. These standardized payment levels would incorporate all resources (e.g., nursing, therapy and pharmacy) for the condition of the resident. Medicare would make a single, comprehensive per diem payment covering all

BEVERLY ENTERPRISES, INC.

5111 Rogers Avenue • Fort Smith, Arkansas 72919 • (501) 452-6712

Honorable Bill Clinton

Page 2

August 10, 1995

aspects of necessary care based on a objective assessment of the patient's acuity level and need for nursing resources.

All of the risk of loss for the cost of a unit of care would pass from Medicare to the provider. In such an environment, providers would know what care must be delivered, what resources must be employed and would be motivated to employ the most cost-effective means of delivering that care. This system, which I would characterize as an Acuity Related Group ("ARG") payment system would assure Medicare of a minimum bundle of services for each ARG level and assure a fixed liability for that care. The provider would be responsible for negotiating the cost of those services and would assume the risk of excessive costs. Because the ARG would be priced at levels that are more economical than those currently used to deliver care, the provider would be incentivized to reduce costs and eliminate waste.

A critical part of such a program would be the elimination of regulations which currently inhibit cost reduction and encourage the overutilization of resources. For example, current regulations which restrict transactions with "related parties" penalize a provider for purchasing from a commonly owned company. While well intentioned, these regulations have in fact encouraged the use of third-party vendors, thus limiting a provider's ability to control the cost of items purchased on behalf of the program. Similarly, restrictions on the provider's ability to negotiate special purchasing arrangements must be eliminated or safe harbors provided. In effect, with one all inclusive price, Medicare need not be concerned with the purchasing arrangements for individual components of the care package -- its risk exposure is contained by the rate.

Similarly, when Medicare was adopted, nursing homes did not care for high acuity patients and a minimum three day hospitalization stay was appropriate to assure a properly stabilized patient. Today's nursing homes provide high acuity care and many medical conditions can be treated with a direct admission to a nursing facility. Direct admissions to nursing homes with a physician's certification should replace the 3-day hospital stay regulation. This would eliminate hospital admissions being ordered solely for Medicare nursing qualification. In addition, DRGs should be re-examined to reduce the hospital stay and substitute sub-acute nursing or other, more appropriate, levels of care at significantly lower costs.

A commission, similar in function to the Prospective Payment Commission, would review the reasonableness of the economic assumptions on which the values of the ARGs are based; recommend the creation of new ARGs as new modalities are created and recommend periodic adjustments to the ARG rates as economic conditions change. HCFA would no longer need to monitor cost reimbursement.

Enforcement will also be simplified. Instead of measuring compliance against amorphous care standards, such as "highest practicable level of physical, mental and psychosocial well being", the program would verify that the ARG had been properly classified and that the services called for in the ARG had been delivered. Subjective value judgments about appropriate care outcomes that make the current enforcement system so unpredictable would be eliminated.

While I understand that this is a sweeping proposal. I am convinced that it provides a means for significant long-term cost control with no reduction in the level of care. Beverly Enterprises is not only the largest provider of institutional nursing services in the country, we also provide sub-acute services, therapy and pharmacy services. As a consequence, we have an enormous database of cost data to develop a workable system of non-acute extended care reimbursement along the lines that I have outlined in this letter. I would like to offer to undertake such a project on an expedited basis and provide you with a model for a reimbursement system that would achieve the program savings presently under consideration.

BEVERLY ENTERPRISES, INC.

5111 Rogers Avenue • Fort Smith, Arkansas 72919 • (501) 452-6712

Honorable Bill Clinton

Page 3

August 10, 1995

Finally, I would be remiss were I not to share with you my belief that while there are savings to be achieved in the Medicare program, I do not, in light of demographics and care demands, share the same optimism about the Medicaid program. The proposals currently being discussed would have a devastating impact on the services provided to the most needy in our society.

Best personal regards,



David R. Banks
Chairman, President
and Chief Executive Officer

MR. PRESIDENT.

THANK YOU FOR YOUR KIND NOTE ON
THE DEATH OF MY FATHER. I LOOK
FORWARD TO MEETING WITH YOU AFTER
LABOR DAY WEEKEND TO DISCUSS THESE
MATTERS IN DETAIL



THE PRESIDENT HAS SEEN
9/12/95

THE WHITE HOUSE
WASHINGTON

September 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: JIM DORSKIND

SUBJECT: Political Information Items

We are forwarding the following political information items:

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- (F) Ickes memo re: Kevin Phillips, The Washington Post article of 6 August 1995.

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THE PRESIDENT HAS SEEN
9/12/95

95 SEP 17 P7:51

SEPTEMBER 7, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: DOUGLAS B. SOSNIK

SUBJECT: PETE WILSON

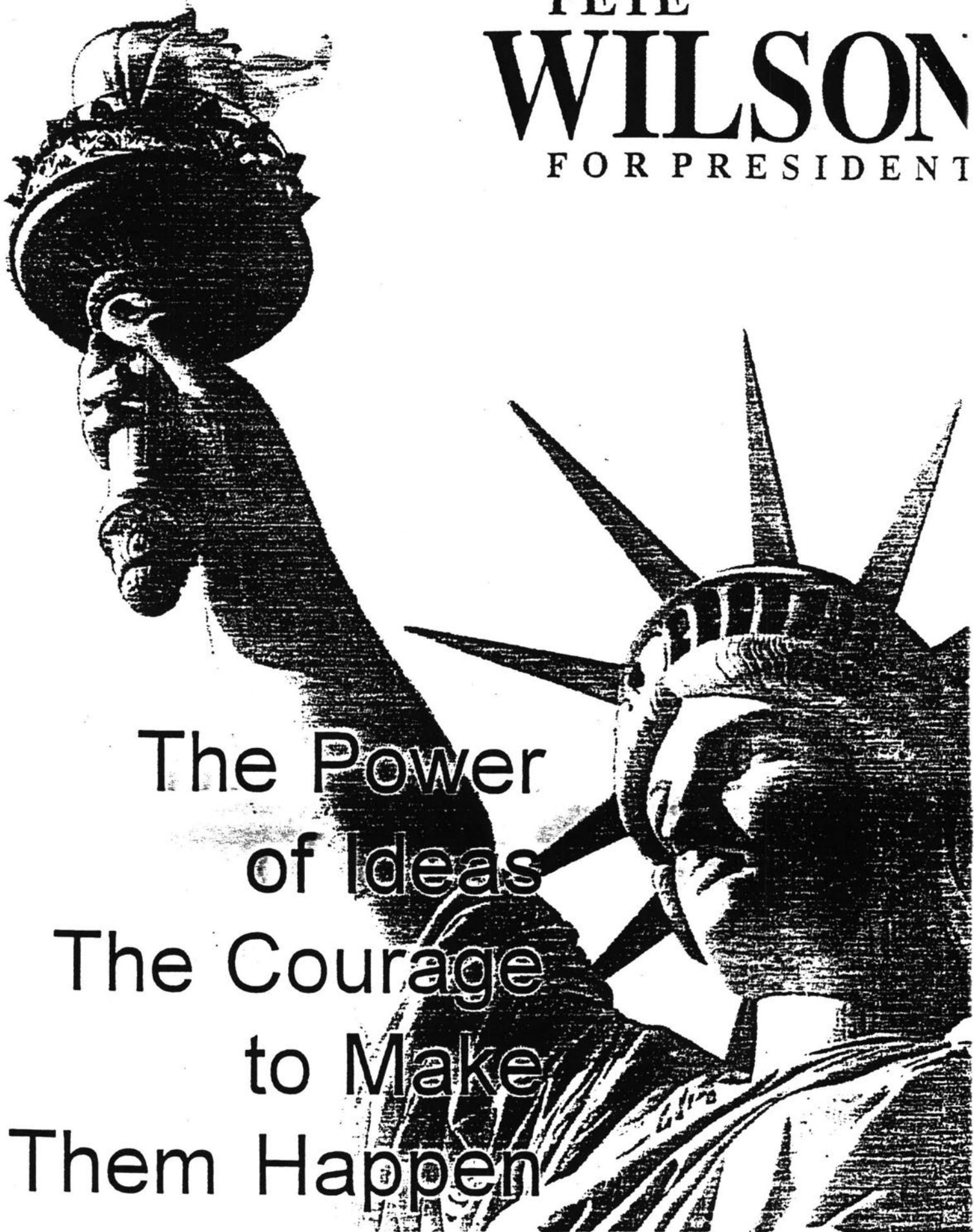
For your information, I am enclosing The Pete Wilson Record which the Wilson campaign is distributing.

*Don't keep on being
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cc: Vice President Gore
Leon Panetta
Harold Ickes
Erskine Bowles
Melanne Verveer
Dick Morris
Ann Lewis

742

PETE
WILSON
FOR PRESIDENT



The Power
of Ideas
The Courage
to Make
Them Happen



THE PRESIDENT HAS SEEN
9-11-95

Jim Dorskind
Please coordinate
the reply.

✓ told me to send to
Don Burdick

August 26, 1995

Dear Mr. President:

Thank you for honoring one of our own, Sam Moses.

Best of luck for the future.

The Membership & Staff of
Lu Lu Country Club.



LuLu Country Club
Limekiln Pike
North Hills, Pa. 19038

Jim D.

MR. PRESIDENT

Jim Dorskind
Please coordinate
the reply.

THE PRESIDENT HAS SEEN
9-11-95

*Shit - 12 for the guy
any Jim playing in South
Pec
Sin*

THE WHITE HOUSE

WASHINGTON

September 8, 1995

THE PRESIDENT HAS SEEN
9/9/95

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Recent Political Information Items

We are forwarding the following recent political information items.

(E) RNC talking points

From Doug

Sharon, once again, we need to discuss this - it's much better than we are at talking about it. We need to discuss this - it's much better than we are at talking about it. We need to discuss this - it's much better than we are at talking about it.

Sharon
Ann
Ken

THE PRESIDENT HAS SEEN
9/9/95

95 SEP 8 48:49

SEPTEMBER 7, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: DOUGLAS B. SOSNIK

SUBJECT: REPUBLICAN TALKING POINTS

For your information, I am enclosing the most recent talking points from Haley Barbour to Republican leaders.

Barbour is spinning the following three points as Republicans enter September: 1) The public is supportive of Republican efforts on the budget and Medicare, 2) advertising campaigns from outside groups will buoy the Republican tide, and 3) unity will be key in maintaining the momentum.

cc: Vice President Gore
Leon Panetta
Harold Ickes
Erskine Bowles
Melanne Verveer
Minyon Moore
Ann Lewis

FYI--This is an action memo distributed by the RNC to Republican leaders on Tuesday asking them to tow the line on the agenda, especially on Medicare. To that end, Barbour has cobbled together some poll results and asked Republicans to follow the lead of the multi-million dollar ad campaign of "Citizens" for Change--it's actually the Coalition for Change, but that wouldn't be the first time Barbour screwed up the facts.

Be aware that in today's Roll Call, Morton Kondracke actually parrots the Republicans claims on public opinion, but also drops a bombshell on the GOP Medicare plan done by Lewin-VHI Research (which, you may recall, did a number on the Clinton health care plan last year). And DNC Research has a packet on the Coalition for Change ad campaign--contact Robin Bachman at (202) 479-5147.

September 5, 1995

MEMORANDUM TO REPUBLICAN LEADERS

FROM: HALEY BARBOUR
SUBJECT: THE BATTLE AHEAD

In football they say the first two minutes of the second half are often the most critical of any game. The first two weeks of September may be the most critical period in our efforts to pass genuine welfare reform, a balanced budget including tax cuts for families and for economic growth, and a plan to save Medicare. The Republican majorities in Congress will be judged by whether we achieve these goals during the next few weeks. If we do our job well in 1995, 1996 will take care of itself.

Here are three points to keep in mind:

- 1.) We are winning the public opinion battle.

Recent polling results are encouraging. Attached are findings from several public and private polls taken in recent weeks. While members feared they would encounter a hostile public during the recess and the DNC and its allies banked on it by launching a multi-million dollar ad campaign attacking us on Medicare, most media coverage and reports from Senate and House state offices revealed much more public support than opposition to our budget and Medicare efforts. There is no indication the Democrats landed any solid blows, and polling data shows the public believes we are on the right track. (see attached August Survey Summary)

During the August recess, most of the comments about our efforts in the mainstream press were positive and some of them came from surprising corners. Even traditional adversaries seem to respect the fact we are making tough choices on the budget and Medicare. I have attached a series of quotes that show the contrast between how we and the Democrats are faring.

2.) There will be plenty of advertising to back up our efforts.

Public support, of course, will be crucial this fall. There will be a barrage of advertising supporting our agenda, starting this week. This week, Citizens for Change is launching a nationwide multi-million dollar TV ad campaign in support of a balanced budget. Other coalitions are expected to run national TV ad campaigns in support of the budget and saving Medicare from bankruptcy.

As the polling data indicates, the public wasn't paying much attention in August when the Democrats went up with their ads. While we did respond with small radio buys in markets where the Democrats were running their ads, our allies preserved their resources for this month.

3.) Unity will be key for the next few weeks.

Although we are in far better shape at this stage than anyone dared dream, Clinton and the Democrats, as well as some in the media, are waiting to see if we will fall apart before completing our agenda. They are hoping for the Republicans to fail because of disagreements among ourselves. White House officials have openly predicted Republicans will not meet the numbers of the budget resolution, showing the Democrats' main hope is for us to fall short. Although our message and agenda are supported by the majority of voters and resources will be available to reinforce our effort, we cannot lose focus_especially in these crucial weeks.

There will be pressure and difficult days, but we are on the verge of changing the direction of government in a way that is both good policy and good politics.

August Survey Summary

Polling results from August are very encouraging for Republicans. Democrats and their union allies on the other hand must be extremely disappointed to have spent millions attacking GOP proposals on the budget and Medicare with no apparent effect.

Three different polls, two public and one private, (Section 1.) show support for Republicans in Congress at levels

consistent with or even better than at the time of last November's elections. Voters prefer our policies, have more confidence in Republicans, are happy we control Congress, and would vote for us today by a margin consistent with last year's 54-46 outcome.

If anything should concern Republicans, it is the voters' fears we will stop short. The public as a whole and Republicans in particular worry we are not going far enough and may back down from doing the job on the budget. (Section 2.)

The four major items in the GOP congressional agenda all garner heavy majority support ranging from 61% to 88%, according to the Gallup Poll. (Section 4.)

We have made steady progress on Medicare. (Sections 5, 6, 7.) The voters are increasingly aware of Medicare's impending bankruptcy and will support reform, including smaller spending increases, to save it.

Remarkably, a majority of voters trust the Republican Congress more to save Medicare than the Democrat president. Their majority support of the broad outline of the GOP Medicare plan over a Clinton plan is another reason of confidence in the Republicans on the issue.

Polling gives Republicans every reason to be hopeful, and it indicates we are well positioned (better than in years, if not ever) to make the sizable policy changes we are advocating.

Below are verbatim questions and results from four different polls taken in late August.

1. How Republicans are doing.

Suppose the 1996 elections for U.S. Congress were being held today, would you vote for the Republican Party's candidate or the Democratic Party's candidate for Congress in your district?

	8/95	11/94
Republican	50%	45%
Democrat	43%	43%

(Times Mirror poll of 1,476 adults conducted 8/20/95)

In general, are you happy or unhappy that the Republican Party won control of the U.S. Congress?

	8/95	6/95
Happy	50%	46%
Unhappy	39%	41%

(Times Mirror poll of 1,476 adults conducted 8/20/95)

Do you have more confidence in the policies and programs of the Republican party, or those of the Democratic party to solve the problems facing the country

Republican	42%
Democrat	33%

(Moore Information poll conducted 8/28/95)

So far, has the Republican Congress been a success or failure?

Success	52%
Failure	35%

(Gallup poll for CNN/USA Today of 1,017 adults conducted 8/30/95)

2. Republican efforts to balance the budget.

Thinking about the spending reduction proposals that have been made by the Republican majority in Congress, do you think Republicans have gone too far, are about right, or have not gone far enough in their attempts to cut back in the size and growth of government?

Too far	27%
About right	23%
Not far enough	39%

(Moore Information poll conducted 8/28/95)

Which of the following concerns you more?

Republicans will go too far cutting federal spending	31%
--	-----

Republicans will back down from their promises to cut federal spending	55%
--	-----

(Moore Information poll conducted 8/28/95)

3. Clinton Approval Rating

Clinton Overall Job Rating

	8/95	7/95
Approve	46%	48%
Disapprove	43%	42%

(Gallup poll for CNN/USA Today of 1,017 adults conducted 8/30/95)

	8/95	6/95
Approve	44%	50%
Disapprove	44%	40%

(Times Mirror poll of 1,476 adults conducted 8/20/95)

4. The Fall Agenda

In your view, should Congress do each of the following this fall, or not?

	Yes	No
Pass a bill to cut taxes	66%	30%
Make major changes to Medicare	61%	34%
Pass a plan that will balance the federal budget	88%	9%
Make major changes to the welfare system	88%	10%

(Gallup poll for CNN/USA Today of 1,017 adults
conducted 8/30/95)

5. Medicare's Bankruptcy

Do you agree or disagree that the Medicare program will be bankrupt in seven years unless something is done soon to fix it?

	8/95	4/95
Agree	64%	33%
Disagree	18%	47%

(Moore Information poll conducted 8/28/95)
(American Viewpoint poll conducted 4/18/95)

Do you agree or disagree that it is irresponsible not to act now to solve the crisis in the Medicare system?

Agree	86%	Disagree	6%
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(Moore Information poll conducted 8/28/95)

Do you agree or disagree that we must preserve the Medicare program, even if it means slowing the growth of Medicare today?

Agree	81%
Disagree	9%

(Moore Information poll conducted 8/28/95)

6. The failure of the Democrat ad campaign.

Who do you trust more to deal with Medicare reform responsibly?

Congress	57%
Clinton	30%

(Moore Information poll conducted 8/28/95)

The Republicans aren't interested in saving Medicare. They want to cut Medicare spending to find money to pay for their tax cut for the rich.

Agree	42%
Disagree	52%

(Luntz Research poll of 1,000 adults conducted 8/24/95)

7. Addressing the Medicare Crisis.

President Clinton and Republicans in Congress have different proposals for the changes needed in the Medicare program over the next seven years. Which of the following two plans do you most agree with?

The Republican plan that increases spending from \$4,800 to \$6,700 per person on Medicare, guarantees the Medicare payroll tax does not increase, and offers seniors who voluntarily join a Medicare health network, reimbursement for prescription drugs, lower copayment for routine doctor visits, and less paperwork required to settle medical bills and claims; or

The Clinton plan that increases spending on Medicare more than the Republican plan, holds the line on how much seniors pay to see a doctor or on medical tests, and saves money by cutting back on reimbursement rates to doctors and hospitals.

Which plan do favor, the Republican plan or the Clinton plan?

Republican	50%
Democratic	36%

(Moore Information poll conducted 8/28/95)

August Media Coverage is Positive for Republicans

"Nevertheless, the Republicans deserve some credit, especially for tackling problems from which the Democrats cowered. They have adopted a plan to balance the budget ... and will deliver a proposal next month to slow the growth of Medicare. This takes real political courage."

--The New York Times, 8/20/95

"There is simply no way that the current [Medicare] system can continue indefinitely. Although there is nothing magic about the years 1995 or 2002, the sooner the reforms are made, the less drastic they will have to be. ... But the hit the G.O.P. has in mind--which would reduce projected Medicare spending 23% in 2002, the year the budget is supposed to be balanced--is not unreasonable."

--Michael Kinsley, Time, 9/4/95

"We have never been in a more significant historical moment. We began with a [Medicare] program that reflected the

practices of the times. Things have changed, and either we move into the present or we will be left with a program that clearly is not working."

--Sen. Daniel Patrick Moynihan (D-N.Y.) as quoted in The Philadelphia Inquirer, 8/28/95

"To the Republicans' credit, they have brought up some options that we should be talking about and considering."

--Robert Reischauer, former director of the Congressional Budget Office, The Philadelphia Inquirer, 8/28/95

"In this debate, Republicans occupy the high moral ground and the low political ground. They have raised critical questions at the risk of political suicide. ... But sooner or later, the aging of the baby boom makes change unavoidable. The sooner we start, the gentler it will be. The trouble is that Democrats never want to start. They portray anyone questioning these programs as plundering the elderly."

--Robert J. Samuelson, The Washington Post, 8/30/95

"For years before the 1994 midterm election that put the Republicans in charge of Congress, the Democratic Party made a successful career out of scaring voters, especially the elderly and the poor, about what the Republicans wanted to do to them. ... Nevertheless, the Democrats are using the same basic scare tactics again in an attempt to buck the GOP tide."

--Jack W. Germond and Jules Witcover, the National Journal, 8/12/95

"People want to hear something else from us [Democrats], some alternatives. ... If we just remind them that we created Medicare, people might say, 'What are you going to do for me now?'"

--Former Bill Bradley aide, Eric Hauser, The Philadelphia Inquirer, 8/30/95

"[U]nless changes are made, today's young people won't see a dime of their Medicare contributions when they need them. That requires going beyond talk and making tough decisions, which the president seems hard put to do."

--Chicago Sun-Times, 7/15/95

THE WHITE HOUSE
WASHINGTON

September 12, 1995

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9/12
(Copy to E K M H to day)

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Career Transition Assistance for Federal Employees

Our highly trained and dedicated Federal work force is one of the Federal Government's most valuable resources. In order to help Federal employees who have dedicated their careers to public service find new job opportunities as Federal organizations undergo downsizing and restructuring, the executive branch must implement programs that provide Federal employees with career transition assistance. The Office of Personnel Management (OPM) Interagency Advisory Group has recommended that appropriate career transition assistance services be provided to Federal employees who either have been or are likely to be separated from Federal service due to a reduction in force. The goal of such services is to assist employees in taking charge of their own careers by providing them with the support they need to find other job offers, either with government or in the private sector.

I hereby direct the head of each executive department or agency (hereafter collectively "agency" or "agencies"), to the greatest extent practicable and in accordance with the guidance and any necessary regulations to be provided by OPM pursuant to this memorandum, to establish a program to provide career transition assistance to the agency's surplus and displaced employees. Such a program shall be developed in partnership with labor and management and shall include:

- (1) collaborating with State, local, and other Federal employers, as appropriate, to make career transition services available to all of the agency's surplus or displaced employees;
- (2) establishing policies for retraining displaced employees, as appropriate, for new career opportunities, either in government or with the private sector;

- (3) establishing policies that require the selection of a well-qualified surplus or displaced internal agency employee who applies for a vacant position in the commuting area, before selecting any other candidate from either within or outside the agency; and
- (4) establishing policies that require the selection of a well-qualified displaced employee from another agency who applies for a vacant position in the commuting area before selecting any other candidate from outside the agency.

I direct the Director of the OPM, in consultation with the Interagency Advisory Group, to: (a) prescribe minimum criteria for and monitor the effectiveness of agency career transition programs and (b) provide guidance and any necessary regulations for the agencies on the implementation of this memorandum. The OPM shall work with the Interagency Advisory Group to facilitate interagency cooperation in providing career transition services. The OPM shall work with agencies to maximize the use of existing automated job information and skills-based recruiting systems and develop new systems, as necessary.

Nothing in this memorandum shall affect the Priority Placement Program operated by the Department of Defense.

Independent agencies are requested to adhere to this memorandum to the extent permitted by law.

This memorandum is for the internal management of the executive branch and is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable by a party against the United States, its agencies or instrumentalities, its officers or employees, or any other person.

THE WHITE HOUSE
WASHINGTON

August 29, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TOS*
PHIL CAPLAN *Phil*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

- (A) **Mills memo on death penalty in Oklahoma case.** Via Leon. Without the crime bill, the death penalty would not have been available for the crimes McVeigh and Nichols are accused of. The 11 counts in their indictment fall under into four categories -- using a weapon of mass destruction against persons and federal property; conspiring to do the same; destruction of federal property by explosives; murdering a federal law enforcement official. The former two are capital offenses created by the crime bill. The latter two are not new, but the crime bill amended them so that imposition of the death penalty would meet constitutional standards.

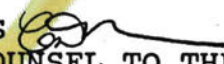
decision to intervene at ... HUD is waiting
Delay on naming a permanent director by the end of the year.

President HAS SE
9/11/95
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THE WHITE HOUSE
WASHINGTON

August 18, 1995

MEMORANDUM FOR BRUCE R. LINDSEY
ASSISTANT TO PRESIDENT AND DEPUTY COUNSEL

FROM: CHERYL MILLS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Oklahoma Bombing Case

This memorandum responds to your request for information regarding the charges in the indictment of Timothy James McVeigh and Terry Lynn Nichols, both of whom are accused of bombing the Murrah Building in the Oklahoma City. The indictment contains 11 counts that fall into four statutory categories: conspiring to use a weapon of mass destruction to kill persons and destroy federal property; using a weapon of mass destruction against persons and federal property; destruction by explosives of federal property; and, violations of a federal murder statute prohibiting the killing of federal law enforcement officials.

It is my understanding from Deputy Assistant Attorney General Merrick Garland, that the indictment counts relating to the use of weapons of mass destruction derive from a new crime bill statute, bringing with them the potential for a death sentence if the accused are convicted. The other two statutes -- destruction of federal property and murdering a federal law enforcement official - are not new. The crime bill did, however, make the death penalty associated with the latter two types of crimes constitutional by amending the underlying statutes to require consideration of mitigating and aggravating circumstances in the penalty phase. Prior to the crime bill, the penalty of death associated with these crimes had been ruled unconstitutional by the Supreme Court because they lacked the statutory requirement that these factors be considered in the death penalty phase.

Thus, it is correct to assert that without the crime bill, the penalty of death would not have been available for any of these crimes. Additionally, the crime bill added the crimes of conspiring to use and using weapons of mass destruction with respect to individuals and federal property with violations punishable by death.

Please contact me if you have any questions.

60:21:09

cc: James Contillo



CHIEF OF STAFF TO THE PRESIDENT

To the President
NE Enrichment for
Oklahoma 

- 
- (F) **Two clips from Mack.** Following the CEO meeting: 1) Jim Hoagland column pointing out that economic growth assumptions in both the Republican budget plan and your plan are "anemic" and citing Rohatyn for proposition that neither plan will come close to balancing the budget without more robust growth; 2) Robert Kuttner column that makes the case for cutting capital gains and providing regulatory relief for business in return for steps that will boost employee incomes, such as ensuring that productivity gains translate into higher worker pay, plowing a percentage of corporate earnings into worker benefits, investing a specified percentage of income into upgrading worker skills, etc.

We have also received the following information:

... report's past performance. Jack attaches an article ...
... reports a potential breakthrough in the understanding of ...
... This research was made by ...

MACK McLARTY

THE PRESIDENT HAS SEEN
9/11/95

8/25/95

Mr. President 85 AUG 25 All : 37

Relevant to the recent CEO
discussions. Wanted to be sure
you saw.

Mack /pm

Attachments (2)

Jim Hoagland

The Naked Truth About The Budget

President Clinton and Republican leaders are locked in a bitter debate over whether the federal budget should be balanced in 10 years (Clinton) or seven years (the GOP). A political train wreck looms, commentators warn, when Congress reconvenes in September.

If this were a fable, a small boy would cry out about now that the emperors have no clothes. But this is Washington: *Mum's the word* as our political leaders parade by, clad in see-through promises of balancing budgets by dates certain, creating millions of new high-wage jobs and cutting middle-class taxes.

These things can be done, but not through the low-growth and fiscally timid policies the current crop of emperors pursue. They have been cowed into

Anemic numbers, see-through promises.

damage-control economics by their rapacious financial markets, their overstimulated electorates and the swift change in global trade and investment patterns. They stand naked and hope nobody notices.

But the U.S. debate over the pace of budget deficit reduction exposes a basic change in the international political economy. Even the once endlessly optimistic Americans have scaled down their own expectations about how much growth their economic policies can—and should—deliver.

They are prepared to settle for less because stock and bond markets have spooked the world's political leaders and central bankers into a collective inflation phobia.

Scarred by memories of the economic roller coaster of the 1970s and the electoral revolts that followed, the politicians and the bankers continue to warn that inflation is the only serious danger on the horizon—in a world in which Japan's economy is sliding into deflation, Germany's high interest rates depress growth rates for France and other na-

tions in the European Monetary System, and America's stockbrokers buy, reflexively and massively, when unemployment numbers rise.

In his 10-year budget-balancing plan, President Clinton relied on the White House's Office of Management and Budget forecast of annual average growth of 2.5 percent in the American economy for the rest of the decade. The Congressional Budget Office's estimate, on which the Republicans rely, is a slightly more pessimistic 2.3 percent.

What is remarkable about these anemic numbers is that the president and his ideological foes meekly accept them instead of promising to fight to improve them.

These estimates "are historically low and not adequate for a strong economy," Felix Rohatyn, Wall Street investment banker and Democratic Party stalwart, writes in the *New York Review of Books*. "Yet there has been hardly any discussion about what would be an acceptable rate of growth for a country such as the U.S., which requires huge investments in both the private and the public sectors" to maintain a strong economy.

Between the lines of that article and in recent speeches, Rohatyn is warning that neither plan will come close to balancing the budget in 2002 or 2005 without more substantial growth in the economy, which must be spurred by badly needed investment in public infrastructure and balanced by targeted tax increases on gasoline and in other areas.

But taxing gasoline and cleaning up water supplies are not agenda items of politicians who feel they must placate an American electorate unhappy with "government" and "big spending." Today's politicians must parrot Ronald Reagan's anti-government rhetoric. But without his charm and good nature, they dare not try the other half of Reaganomics, which was to disregard the rhetoric and keep on spending.

Clinton has not translated the largely positive economic trends of his presidency into political capital. Thwarted early by Congress on his economic stimulus package and a well-designed energy tax, Clinton has retreated into "responsible" (i.e., safe) positions on deficit cutting as the core of "Clintonomics."

The president seems to limit his options to variations on the market-soothing line of Treasury Secretary Robert Rubin and Federal Reserve Chairman Alan Greenspan, or on the angry economic populism of political consultant James Carville. Clinton swings between these poles rather than standing firmly in the middle to lobby Greenspan actively, aggressively and consistently for lower interest rates, and leading an effort for global growth through the Group of Seven.

Rohatyn makes the right point here too: The markets need to see a serious commitment from Congress and the White House on deficit reduction. But in the end it makes no difference if the budget is balanced by 2002, 2005 or later, as long as it is clear that a serious, sustained and bipartisan effort is under way.

That effort must not, however, sell the American public short on economic expansion. To get the kind of growth that has helped balance budgets in the past, Congress needs to spend, wisely, on infrastructure as well as cut, wisely, elsewhere.

Robert Kuttner

Good Corporate Citizens

Here's a good progressive idea: Let's cut capital gains taxes. And let's give business some regulatory relief.

But let's not just give all of this away. Instead, let's trade it for a set of corporate practices that produces a more even distribution of gains.

The great, unaddressed public issue of our time is the stagnation of living standards for most people, the rising economic insecurity and the unequal distribution of the fruits of our ever more productive economy. Nothing illustrates this better than the disparity between the stock market and the labor market: stocks booming, wages flat.

Ordinary people are knocking themselves out for the sake of competitiveness. But the gains are accruing mainly to the owners of the enterprise.

There are some exceptions, of course. A small minority of corporations have profit-sharing plans, or pay-for-productivity systems, or limits on exorbitant executive salaries. Many report that these measures improve employee morale and increase productivity.

Why not use the leverage of government to make these practices the norm?

For starters, a blue-ribbon commission of the most enlightened business and labor leaders and scholars could identify the best "gain-sharing" practices in American business. Then policy-makers could specify a core set of gain-sharing measures necessary for a company to qualify for tax breaks and regulatory relief as an exemplary corporate citizen.

These might include:

- A system to ensure that productivity increases translate into higher worker pay.
- A decent fraction of corporate earnings to be plowed back into health, pension and family-friendly fringe benefits.
- A commitment to invest a specified percentage of gross income or payroll in the steady upgrading of worker skills.
- A limit on executive salaries relative to salaries paid to employees.
- A process to give employees a greater voice in the enterprise, through worker councils, unions or other avenues of representation, and to avoid unfair labor practices.
- A commitment to greater employee job security.

Within these broad guidelines, companies and their employees would have great latitude to devise plans that met their own particular needs. As long as they met the minimum, government would have to certify that they qualified.

In return, these solid corporate citizens would pay lower taxes: They might pay both a lower rate on the corporate income tax, and their stock would become more attractive to investors because it would get favorable capital gains treatment.

They could also fairly claim regulatory relief. For example, a company with a more engaged work force could be trusted to police itself in the area of employee health and safety, rather than relying primarily on OSHA inspectors.

I can hear some of my liberal friends howling. But it's one thing to give corporate tax relief away. It's another to trade it for a more equal distribution of earnings.

The purpose of progressive taxation, after all, is to partially equalize the great inequalities of the marketplace. If public policy can get corporations to bestow greater equality in the first instance, there is less need for equalization after the fact.

Regulation, likewise, is a means and not an end. Nobody likes red tape for its own sake. An empowered work force is a more reliable steward than a periodic visit from a bureaucrat.

Individual companies, of course, would be free to reject the offer (and the benefits). We could then compare the productivity and worker satisfaction of old-style and new-style corporations.

The currently ascendant Republicans plan to cede tax and regulatory relief to business with no quid pro quo, on the theory that greater business license would increase profits, growth and living standards for all. But we have been going down that road since the Reagan administration, and the gains to business have failed to translate into higher living standards for most people. More of the same would only widen the inequalities.

Here is a splendid issue for the foundering Democrats. Should government just give all of these benefits to business, or get something in return?

Rep. Richard Gephardt, the House minority leader, has proposed a corporate code of conduct. He is currently exploring whether to condition a series of benefits on companies that meet its terms.

Several Clinton administration officials, most notably Labor Secretary Robert Reich and Commerce Secretary Ron Brown, regularly celebrate "high performance work" and spotlight companies that choose voluntarily to pursue a path of investment in people. And their boss, on the 1992 campaign trail, had a manifesto with the theme of "Putting People First."

If the political mainstream doesn't address the issue of economic insecurity, the political fringe surely will—by scapegoating immigrants, minorities, foreigners and by stoking people's fears.

Nobody doubts that the emerging information economy is capable of prodigious gains. The hidden issue is how those gains are to be shared. It's time to place that issue at the center of political discourse.

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- 
- (D) **Treasury response to two tax questions.** Via Erksine. Treasury has provided a detailed response to two questions you raised: 1) what is the tax status of employee benefits for tuition for job advancement and how much money is involved; 2) is there a total limit on employee fringe benefits and what is our position on removing child care from this limit?
- 

ensuring
coverage of



DEPARTMENT OF THE TREASURY
WASHINGTON

THE PRESIDENT HAS SEEN
9/11/95

ASSISTANT SECRETARY

Sent to
PORTS

August 22, 1995

95 AUG 25 11:10

MEMORANDUM FOR ERSKINE BOWLES
DEPUTY CHIEF OF STAFF

FROM: ERIC TODER *Eric Toder*
DEPUTY ASSISTANT SECRETARY (TAX ANALYSIS)

SUBJECT: Tax Questions Raised by President

The President raised two questions about tax policy:

- 1) What is the tax status of employee benefits for tuition for job advancement. How much money is involved?
- 2) Is there a total limit on employee fringe benefits? What is our position on removing child care from this limit?

1. Employee Benefits for Tuition. Under current law, employees may exclude from taxable income any employer-paid job-related educational expenses. Excludable benefits include only those undertaken to maintain or improve the skill required by an individual in a current job or to satisfy requirements of the employer or legal requirements to keep his or her current job.

Prior to December 31, 1994, employees could also exclude employer-paid educational expenses up to \$5,250 per year that were not directly related to a current job, such as tuition for schooling that would enhance job advancement or retraining. In the FY 1996 Budget, the Administration stated that it supports the "revenue-neutral" extension of the broader exclusion for employer-provided educational assistance and also supported extension of other expiring tax incentives. The Administration stated it looks forward to "working with Congress" to achieve that goal, but did not propose a specific funding method.

Extending the exclusion for employer-provided educational assistance (retroactively) for the period from January 1, 1995 through December 31, 1996 would reduce revenue by about \$1 billion between FY 1996 and FY 2000. Extending the exclusion permanently (and retroactively back to January 1, 1995) would reduce revenue by \$3.3 billion between FY 1996 and FY 2000.

This is what
we did
frequently

Mr. Sumner
has raised
concerns

2. Employee Fringe Benefits For Child Care.

Under current law, employer-paid dependent care benefits of up to \$5,000 per year are excluded from employees' taxable income. These benefits are often provided through cafeteria plans. (Other benefits commonly provided through cafeteria plans include health and group-term life insurance benefits.) There is no overall dollar cap on cafeteria plan benefits, but cafeteria plans are subject to a number of nondiscrimination rules that prevent employers from providing highly compensated and key employees with more favorable benefits than other employees. These rules also prevent employers from discriminating with respect to eligibility to participate in benefits, including dependent care benefits, provided under a cafeteria plan. Additional nondiscrimination rules apply to employer-provided dependent care benefits, regardless of whether the benefits are provided under a cafeteria plan.

To assist families without employer-paid benefits, the individual income tax also includes a nonrefundable tax credit for qualifying child care expenses, up to a maximum of \$2,400 for one dependent and \$4,800 for two or more dependents. (The amount of expenses eligible for the child care credit is reduced dollar for dollar for any expenses excluded from income as employer-paid dependent care benefits.) The credit rate is 30 percent of eligible expenses for taxpayers with adjusted gross income (agi) below \$10,000. For taxpayers with agi between \$10,000 and \$28,000, the credit rate is reduced by 1 percentage point for every \$2,000 of agi. The credit rate is 20 percent of eligible dependent care expenses for taxpayers with agi of \$28,000 or greater.

The Administration supports retaining the non-discrimination rules to ensure that tax-exempt fringe benefits, including dependent care benefits, are made available to a broad class of employees. The Administration would probably oppose raising the \$5,000 ceiling, because it provides relatively more benefits to higher paid employees who spend more on child care costs and, unlike the credit, helps only families who have access to an employer plan. Currently, we are not aware of any proposal to raise the \$5,000 ceiling or remove non-discrimination rules.

In FY 1996, the child and dependent care credit will reduce Federal revenues by \$3.0 billion, while the exclusion for employer-provided child care assistance will reduce revenue by about \$0.8 billion.

Please contact us if you have further questions.

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THE WHITE HOUSE

WASHINGTON

September 8, 1995

THE PRESIDENT HAS SEEN
9/9/95

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TOS*

SUBJECT: Recent Political Information Items

We are forwarding the following recent political information

✓
Craig
Gay
(B) **California polls and clip.** A University of California, Irvine poll conducted August 18-27 shows you running neck and neck with Wilson (41-41) but behind Dole (50-35). Your job approval is nine points higher than Wilson's.

SEPTEMBER 7, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: DOUG SOSNIK AND WENDY SMITH

SUBJECT: CALIFORNIA POLLS / CLIPS

CALIFORNIA

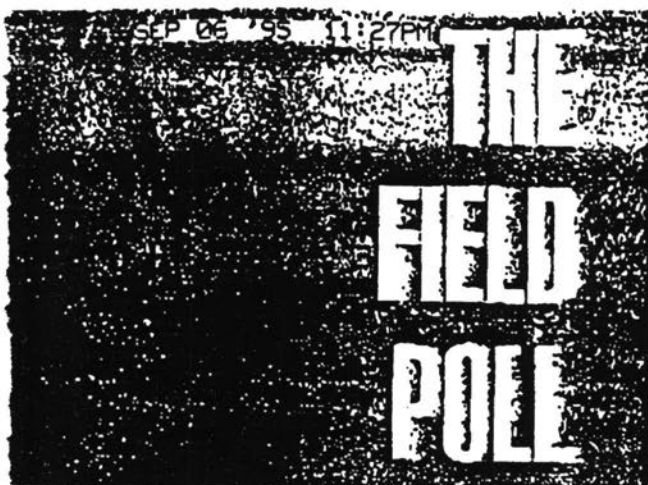
A University of California, Irvine, (Orange County) poll conducted August 18-27, found the President running neck and neck (41-41) with Wilson but losing to Dole (50 to 35). However, one in five Republicans and half of the independents would vote for Clinton, while only one in ten Democrats would cross over to Wilson. Additionally, the Orange County voters support CCRI 64 to 31 (higher than statewide polls) with Republicans overwhelmingly in favor (71 to 25) and with a majority of the Democrats supporting it (58 to 36), independents are divided (48 to 47).

In a Field poll conducted August 24-31, the President's job approval in California stands at more positive than negative and nine points higher than Wilson's.

	Clinton	Wilson	Feinstein	Boxer
Very good/good	36	27	38	30
Fair	33	28	29	29
Poor/Very poor	27	40	21	23
No opinion	4	5	12	18

ATTACHED ARE THE FIELD POLL AND CLIPS FROM YOUR RECENT TRIP

cc: Vice President
Leon Panetta
Harold Ickes
Erskine Bowles
Melanne Verveer



THE INDEPENDENT AND NON-PARTISAN SURVEY
OF PUBLIC OPINION ESTABLISHED IN 1947 AS
THE CALIFORNIA POLL BY MERVIN FIELD

550 Kearny Street, Suite 300
San Francisco, CA 94108-2527
(415) 781-4921 FAX: (415) 434-2541

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Release #1761

Release Date: Tuesday, September 5, 1995

**CLINTON'S JOB RATING MORE
POSITIVE THAN NEGATIVE. WILSON'S
IS MORE NEGATIVE THAN POSITIVE.
APPRAISALS OF FEINSTEIN MUCH
MORE FAVORABLE. BOXER'S
RATINGS UP.**

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0195-4520)

By Mark DiCamillo and Mervin Field

As it has been during the past twelve months, Californian's current job appraisal of President Bill Clinton is somewhat more positive than negative. More than one-third (36%) think he is doing a good or very good job, while those who rate his performance as poor or very poor is 27%. Another 33% credit Clinton as doing a fair job.

These ratings do not differ to any significant degree from those obtained in three other measurements since last October.

Table 1
Trend of Clinton's job performance ratings as President
(among all adults)

	Very good/ good	Fair	Poor/ very poor	No opinion
Sept '95	36%	33	27	4
May '95	37%	38	24	1
Feb '95	36%	39	23	2
Oct '94	35%	37	27	1
Sept '94	32%	34	31	3
July '94	35%	35	28	2
May '94	38%	38	22	2
April '94 (best)	43%	33	21	3
Jan '94	39%	37	20	4
Oct '93	38%	35	25	2
Aug '93 (worst)	27%	37	33	3
May '93	31%	37	28	4

The Field Poll
 Tuesday, September 5, 1995

#1761
 Page 2

Evaluation of Wilson

As it was in the last *Field Poll* report in May, Californians' appraisal of Pete Wilson's job performance as Governor is somewhat more negative than positive. Four in ten (40%) view his efforts as poor or very poor, while 27% believe he is doing a good or very good job. Another 28% give him a fair job rating.

Table 2
Trend of Wilson's job performance ratings as Governor
(among all adults)

	<u>Very good/ good</u>	<u>Fair</u>	<u>Poor/ very poor</u>	<u>No opinion</u>
Sept '95	27%	28	40	5
May '95	28%	34	37	1
Feb '95	33%	35	28	4
Oct '94	26%	33	38	3
Sept '94	28%	31	38	3
July '94	23%	30	44	3
May '94	28%	33	35	4
April '94	28%	34	34	4
Jan. '94 (post-quake)	30%	30	34	6
Jan. '94 (pre-quake)	25%	30	40	5
Oct '93	21%	32	44	3
Aug '93	22%	39	33	6
May '93 (worst)	15%	36	42	7
Feb '93	25%	28	44	3
Sept '92	19%	28	49	4
July '92	20%	28	45	7
May '92	30%	33	35	2
March '92	22%	36	36	6
Jan '92	28%	32	35	5
Sept '91	29%	32	33	6
June '91	36%	33	24	7
Feb '91 (best)	36%	31	12	21

The Field Poll
Tuesday, September 5, 1995

#1761
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Feinstein's Job performance

There has been a distinct improvement in the regard that the public has in their appraisals of the job Dianne Feinstein is doing as U.S. Senator. Currently 38% view her performance positively, while just 21% see it in negative terms.

This 38% to 21% ratio is much better than those ratings registered since July of 1994 when she became engaged in a very bitter re-election campaign against Republican Michael Huffington.

Table 3
Trend in Feinstein's ratings as U.S. Senator
(among all adults)

	Very good/ good	Fair	Poor/ very poor	No opinion
Sept. '95	38%	29	21	12
May '95	31%	32	29	8
Feb. '95	33%	28	26	13
Oct. '94 (worst)	25%	32	30	13
Sept. '94	31%	29	29	11
July '94	30%	28	29	13
May '94	35%	30	21	14
April '94	33%	33	16	18
Jan '94	36%	27	18	19
Oct '93	29%	35	16	20
Aug '93 (best)	37%	28	16	19
May '93	27%	33	15	25

The Field Poll
Tuesday, September 5, 1995

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View of Boxer's job

Senator Barbara Boxer's job ratings have also improved somewhat in recent months. At present 30% give her positive marks, while 23% hold to a negative view.

Table 5
Trend of Boxer's job performance ratings as U.S. Senator
(among all adults)

	Very good/ <u>good</u>	<u>Fair</u>	Poor/ <u>very poor</u>	No <u>opinion</u>
Sept '95	30%	29	23	18
May '95	27%	35	25	13
Feb '95	25%	32	20	23
Sept '94 (worst)	24%	29	27	20
May '94	28%	29	23	19
April '94	28%	31	19	22
Jan '94	30%	28	21	21
Oct '93	25%	34	19	22
Aug '93 (best)	29%	29	19	23
May '93	22%	30	21	27

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Information About the Survey

Sample Details

The results in this report are based on a survey conducted August 24 - 31, 1995 among a representative statewide sample of 601 California adults. The survey was completed by telephone in either English or Spanish using random digit dialing methods.

Estimates of sampling error relate to sample size. According to statistical theory, 95% of the time results from the overall statewide sample would be accurate within +/- 4 percentage points.

There are many possible sources of error in any survey other than sampling variability. Different results could occur because of differences in question wording, sequencing or through undetected errors or omission in sampling, interviewing or data processing. Every effort was made to minimize such errors.

Questions Asked

What kind of job do you think Bill Clinton is doing as President — a very good, good, fair, poor or very poor job?

What kind of job do you think Pete Wilson is doing as Governor of California — a very good, good, fair, poor or very poor job?

What kind of job do you think Dianne Feinstein is doing as U.S. Senator — a very good, good, fair, poor or very poor job?

What kind of job do you think Barbara Boxer is doing as U.S. Senator — a very good, good, fair, poor or very poor job?

San Jose Mercury News

View from Washington

Clinton's vision for California is clearer than Wilson's
SEP 6 1995

BILL Clinton is definitely good at campaigning. Although Clinton's visit to California over Labor Day weekend was officially presidential, Clinton the candidate was vividly in evidence.

California is ranked somewhere between breathing and Big Macs on the list of what Clinton needs to survive. So the president had some benefits from Washington to point to: a new California State University campus on the former site of Fort Ord on the Monterey Peninsula; a \$3.4 million federal grant to a consortium developing an electric car in Alameda.

Pork was not the point, however; policy was. Both the campus and the cars are examples in which federal funding, supplemented with state, local and private money, brings jobs to a region. They are an implicit rebuttal to those Republicans who would trim the tree of government back to a stump.

Clinton's counterattack was more direct on three other issues: affirmative action, immigration and welfare. The three are the core of Gov. Pete Wilson's campaign to win the Republican presi-

dential nomination.

Without mentioning Wilson by name, Clinton drew a sharp contrast. He referred to "this crazy idea, that somehow we can go into the 21st century by weakening our middle class, by dividing our people against each other by convincing hard-working middle-class people the reason they don't have a good income is because of welfare or affirmative action or immigration."

Clinton is not oblivious to problems in these areas. He has called for a greater effort to reduce illegal immigration, has broached the possibility of modest reductions in legal immigration, has vowed to end welfare "as we know it" and has argued to "mend, not end" affirmative action.

What he has not done is indulge in rhetoric that undeserving people are stealing opportunities from deserving people. And his larger point, that these issues are less important than the growing strain on family incomes, is dead on point.

Can it be that the view of California is clearer from Washington than from Sacramento?

SACRAMENTO EXAMINER

Machine moving state GOP right

SEP 6 1995

Conservative, Christian network has already seized key Senate post

By Steven A. Capps
EXAMINER SACRAMENTO BUREAU

SACRAMENTO — When Republicans in the state Senate elected freshman Sen. Rob Hurtt as their new leader last month, it marked a remarkable victory for Hurtt's right-wing Christian political machine from Orange County.

Its goal is takeover of the Legislature. After that, critics say, a right-wing Christian fundamentalist agenda will emerge. Hurtt and his allies insist they only want to help business.

Much of their work has been through a political action committee called Allied Business PAC, founded by Hurtt and four other wealthy Southern California Christian businessmen in 1991. With millions of dollars at its disposal, Allied Business PAC quickly became a force in California politics, backing like-minded Republicans and even choosing sides in Republican primaries.

The money helped elect 24 of the 34 Republican legislative candidates backed in 1994 by Hurtt and Allied Business PAC.

In 1993, when the organization couldn't find a suitable candidate to run in a special Senate district election, Hurtt, 51, ran himself. After winning, he made it known he would not rest until he became head of the Republican caucus in the Senate.

"I'm interested in change," he said in a 1993 interview. "I'm interested in the Republican caucus being tougher, stronger, more coordinated, more cohesive and (better able to) get some things done."

Last month, he made his move, ousting longtime moderate leader Ken Maddy, R-Fresno, by one vote among the 17 Republicans.

Hurtt's goal is no secret — to elect more conservative Republicans to the Legislature. He hopes to help win strong Republican control of the Assembly after next year's elections, and a GOP majority in the Senate by the end of 1998.

Hurtt, who says he has quit Al-

lied Business PAC and now is like any other candidate seeking their support, appears single-minded in working for that goal.

He recently told a reporter he was supporting a recall campaign against a San Joaquin Democratic assemblyman not because the man had done anything wrong, but because it simply presented an opportunity to elect a Republican.

The Democrat, Mike Machado, beat the recall. But the recall cost him nearly \$1 million in campaign funds, and the bill for San Joaquin County taxpayers to hold the special election came to about \$300,000.

Hurtt is against gay rights and is anti-abortion. He objects to being called a member of the Christian right, though he acknowledges he is a Christian and a conservative.

"In a waiting period"

Jerry Sloan, a former minister who keeps track of the Christian right, said Hurtt was "in a waiting period right now." Once he gets a Republican majority in the Legislature, he will begin to work on his agenda, Sloan said.

"There's a lot of typical Republican things they want to do, like rolling back regulations and so forth, but I also look for them to be doing more radical things as well, like tearing down the public education system," Sloan said. "I think somebody would introduce a law to repeal the consenting adult bill that was passed 20 years ago. I would expect them to make an attempt to recriminalize same-sex sex."

Sloan recently attended a seminar sponsored by Capitol Resource Institute, a nonprofit organization supported by Hurtt and a close ally, Howard Ahmanson. The seminar was held to encourage local churches to get more involved in politics.

"In the seminar, they said Christians must become the gatekeepers of society, the ones who control public policy," Sloan said.

Seeking an edge at ballot box

Sen. William Leonard, R-Upland, served as Republican caucus chair under Maddy, but voted for Hurtt last week. He said it was time for a change to a more election-oriented caucus.

"As Republicans get closer to a majority, our energy level should go higher and higher," said Leonard.

Leonard, an elder in his own church, said he did not believe the caucus would push a Christian agenda per se.

"Our platform is equal rights for everybody, all citizens being treated in a like manner. But singling out homosexuals for special protections and benefits is contrary to that philosophy."

Even before Hurtt became Republican leader in the Senate, he was having an impact.

A few weeks ago, as the Senate began its final debate on a new state budget, freshman Republican Sen. Ray Hayes rose on the floor to lead the party's charge against state funding for abortions.

Hayes, from Riverside County, failed — as have previous efforts

P. 10-2

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— to remove abortion funding from the budget.

A few seats away, Hurtt sat quietly in his seat. But Haynes was doing just what Hurtt expected, which is why Hurtt — and the Allied Business PAC — spent more than \$500,000 to help Haynes win election last year.

According to a study by Senate Democrats, Allied Business PAC and its related entities contributed to 23 Assembly candidates and 11 Senate candidates last year.

In the Assembly, 18 of the candidates were elected, 13 for the first time. In the Senate, six of the candidates were elected. Two were elected for the first time: Haynes and Dick Monteth, R-Modesto.

Four other Senate candidates supported by Allied or its affiliates won their primaries but lost the general elections.

Hurtt and his family company, Container Supply Corp., have been heavy contributors apart from Allied Business PAC.

Last year, Hurtt's company contributed \$1.5 million to campaigns, including \$100,000 to the Senate Republican Majority Fund, a committee controlled by Maddy to help elect more Republicans.

California Common Cause has criticized Hurtt and Allied Business PAC.

"It's always disturbing when you have a small group of people — whether on the far right or the far left — that can have such a substantial impact on an election," Ruth Holton, director of the political watchdog group, said during the 1994 campaign.

Leonard, however, said Hurtt was being criticized for copying the techniques Democrat groups had used for years.

"The Hollywood community has basically been giving to one side of the political equation," Leonard said. "This brings some balance into it for the first time."

Senate President pro tem Bill Lockyer, D-Hayward, has been predicting for some time that Hurtt would rise to power. He has tracked his advancement and is warning any Democratic group that will listen that Hurtt is a man to be feared.

"It's been apparent for some time that extreme right-wingers were taking control of the California Republican Party," Lockyer said the day Hurtt ousted Maddy. "Today, they tightened their grip."

P. 2 of 2

The Sacramento Bee

Clinton to plow into Valley seeking elusive farm votes

By Michael Doyle
Bee Washington Bureau

WASHINGTON — Crop revenues are up. So are farm exports. Republicans, not Democrats, are the ones pushing big cuts in farm spending.

So why is President Clinton the one hurting politically in farm country?

Clinton will try to firm up his tenuous standing in the San Joaquin Valley with his first presidential visit to the region

Tuesday. The visit will follow Labor Day appearances at the new California State University campus in Monterey and an address to a union group in Alameda County.

With Central Valley farmers, Clinton has a tough row to hoe. Despite his significant agricultural accomplishments, Valley farmers remain both an important constituency for him and an elusive one.

"Farmers are just normally pretty conservative people," said Bob Vice, presi-

dent of the 75,000-member California Farm Bureau Federation. "So some of the issues that work against Clinton are not Clinton's but those of the traditional Democratic Party platform."

Democratic lawmakers and operatives acknowledge, with some frustration, that the Valley farm vote still eludes Clinton. Undeniably, Clinton can rightly claim tangible accomplishments for California agriculture.

He pushed to completion a free-trade

deal with Mexico that helped double to \$1.1 billion California farm exports to that country. He's maintained support for the controversial market promotion program, which reformers consider an \$80 million-a-year corporate welfare handout, but which California companies like Sunkist and E&J Gallo Winery adore.

His administration recently gave California's half-billion-dollar-a-year poultry industry a victory by restricting which birds can be labeled "fresh." Even its inaction has helped state farmers, as when the Agriculture Department dragged its feet on implementing a law hated by California's dairy industry.

"I think farmers would be hard-pressed to point out where (the administration) has not been supportive of California agriculture," said Rep. Calvin Dooley, D-Visalia. "I don't think (Clinton) has necessarily gotten proper credit."

Please see CLINTON, page B4

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8/31/95 FROM B1

2 of 2

The Sacramento Bee

The Sacramento Bee

Clinton: Farm worker proposals weakened

Continued from page B1

Indeed, in one measure of Clinton's farm-friendly policies, some critics complain the Agriculture Department remains too close to agribusiness. To wit: the department bent under congressional pressure and watered down farm worker protection standards proposed by the Bush administration, and more recently postponed farmers' record-keeping requirements for dangerous "restricted use" pesticides.

"I've seen no change between the Reagan, Bush and Clinton administrations on farm worker issues," said a disappointed Michael Hancock, executive director of the Farmworker Justice Fund.

Labor Secretary Robert Reich, nonetheless, angered Valley farmers with his recent San Joaquin Valley visit that included criticism of farm worker conditions.

Some of this status quo tendency reflects the nature of federal farm policy. Congress sets out crop subsidies and other major farming rules every five years. That means the current farm bill was written during the Bush administration.

And by letting the new Republican Congress take the lead in cutting farm spending by \$13 billion over seven years, the Clinton administration appears content to let the GOP take the blame for change. That hands-off strategy is not respected by everyone.

"Eventually, the administration is going to have to be involved," Vice said.

Taken together, these various

farm and trade successes and political maneuvering suggest a solid record. Some of it he's done without the help of Valley lawmakers.

For instance, Agriculture Secretary Dan Glickman in appearances in Fresno and Modesto this week touted the administration's trade efforts. The numbers support him. Total California farm exports increased 16 percent to \$11.8 billion between 1992 and 1994, boosted by the North American Free Trade Agreement.

But the extent of farmers' dissatisfaction was clear in a recent forum by Glickman at the University of California, Davis, where more than 300 people turned out to discuss their concerns and views on issues ranging from world agricultural trade to stringent air quality and other regulations that can increase production costs.

Clinton is likely to feel farmers' pain, not pleasure, in Fresno.

Undeniably, some farmers are hurting. Seventeen percent of the Agriculture Department's farm loans to California farmers were delinquent in 1992. Today, spiked by assorted natural disasters, an unusually high 23.3 percent of those loans are delinquent.

Valley farmers have other grievances. Some are unhappy about how irrigation contract renewals have been managed; others grumble about endangered species restrictions. In many farmers' minds, all that appears to overshadow whatever else the administration may have done.

Clinton hails new campus on old base

**Calls CSU Monterey Bay
an 'incredible achievement'**

By James Richardson
Bee Staff Writer

MONTEREY - Surrounded by old barracks and dusty fields where tanks once roamed, President Clinton on Monday opened the newest state university in California on the grounds of the Army's Fort Ord.

Clinton heralded the new California State University, Monterey Bay, as an example of what can go right when a giant military base closes.

"I can't imagine anybody in America who is having a better day than I am right now," Clinton said as he began a 33-minute speech. "You are celebrating an incredible achievement."

Clinton stopped in Monterey to claim his share of the credit for the rapid conversion of Fort Ord into the 21st campus in the CSU

INSIDE

■ During a campaign stop Monday, Sen. Bob Dole said that English must be recognized as the country's official language.

Page A3

system. Making his 19th visit to California since becoming president, Clinton later went to Alameda County, where he addressed a crowd of 10,000 at a holiday picnic. The president stopped in California on his way home from Hawaii, where he took part in ceremonies commemorating the end of World War II.

"All across America on this Labor Day, our people are beginning to convert from the Cold War to the new economy of the 21st century, and we've got to do what we

Please see CLINTON, back page, A14

Criticizes GOP cuts at Labor Day picnic

Continued from page A1

can to help," Clinton said in Monterey.

The Monterey ceremony brought out a throng of more than 15,000 people who jammed the highways and then every square inch of a dusty field where Clinton made his address.

For some like Peter Pethoe, 52, of Santa Cruz, the ceremony was less a ribbon-cutting than a homecoming.

"I was stationed here for two months in this hell-hole," Pethoe said, describing how he completed his Army basic training at Fort Ord in 1963. He said converting the base into a college campus felt "fantastic."

The grounds were turned over to CSU only a year ago, along with about \$15 million in federal funds for renovating buildings and a promise that an additional \$14 million would follow. In the meantime, CSU officials have engaged in a crash program to hire professors, invent courses and find students.

The new campus has an unorthodox approach to undergraduate education, emphasizing mastering subjects rather than amassing course credits. Students will be required to be fluent in a second language, be computer literate and complete community service work.

Classes began a week ago for the first 625 students. By the time it is fully developed in 2015, CSU Monterey Bay should have 13,000 to 15,000 students.

The buildings inherited by the new campus were among the most modern built by the Army during the defense buildup of the 1980s, including Spanish-style stucco buildings, multi-story dormitories and suburban housing tracts.

The campus was barely ready for students last week, much less a presidential visit. A building behind Clinton had part of its roof missing, and the marks of construction work were everywhere.

"The large buildings to my left and right," Clinton noted, "were battery headquarters for artillery units. One is (now) a library, and the other is a multimedia center. I don't know whether a Republican or a Democrat turned them into that. I just know it's good for the country."

Clinton called the new campus a model for how other communities could convert military bases for new uses.

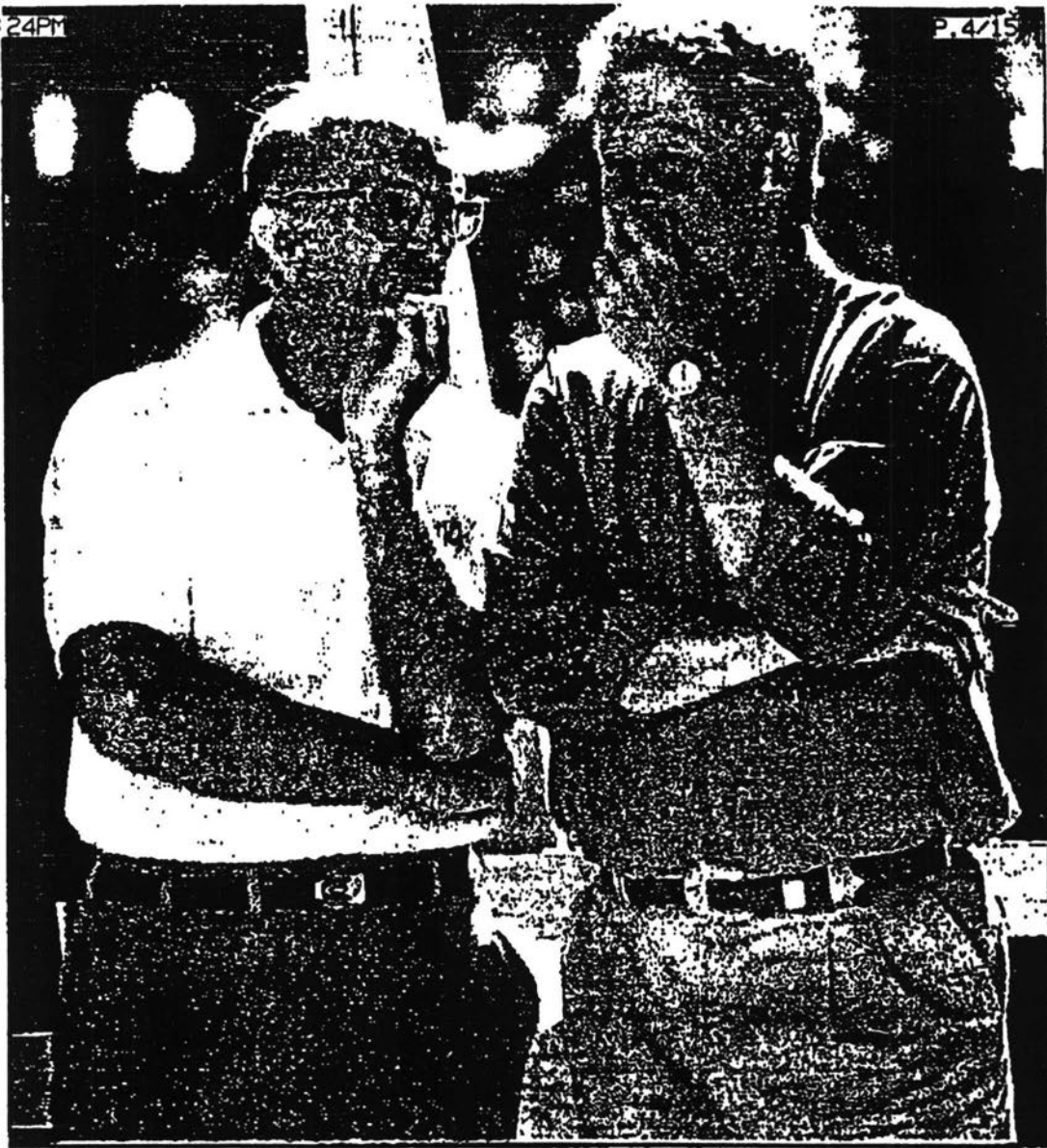
"I've got a lot to say today, and you may not remember much of it," Clinton said. "Remember this: This country will be the greatest country in the world in the 21st century - just as it has been in the 20th century - if, but only if, we take all of the challenges that are before us and approach them in the same way that you have approached the challenge you faced when Fort Ord closed."

CSU Monterey Bay had major political muscle behind it. The area's former Democratic congressman, Leon Panetta, is the president's chief of staff. Panetta introduced Clinton Monday, and described how the area lost 17,000 jobs when the base closed.

"We took this loss and made it an opportunity

The Sacramento Bee

The Sacramento Bee



AFL-CIO president Tom Donahue, left, talks with President Clinton before introducing him at a Labor Day picnic on Monday in Pleasanton.

Associated Press

“
I was stationed here for two
months in this hell-hole.
”

Former soldier Peter Pethoe

ty,” Panetta said.
The campus also had help from the state Senate’s powerful Democratic leader, Henry Mello of Watsonville, who rammed several bills through the Legislature authorizing the campus and waiving environmental impact procedures.
In addition to Mello and Panetta, Lt. Gov. Gray Davis, U.S. Sen. Barbara Boxer, D-Calif., Rep. Sam Farr, D-Carmel, and Assemblyman Bruce McPherson, R-Santa Cruz appeared on stage with Clinton. Gov. Pete Wilson was out of the state campaigning for Clinton’s job.
Clinton’s appearance in California had all the trappings of a campaign stop.
As he shook hands with the Monterey crowd after his speech, a sound system blared Fleetwood Mac’s “Don’t Stop Thinking About To-

from the new campus, and he sounded every inch a candidate. “You couldn’t run anything in this country the way people try to run politics in Washington, where talking is more important than doing,” he said.
Later, at the Labor Day picnic in Pleasanton, Clinton promised to fight Republican budget cuts that hurt education, and he reiterated his call for Congress to boost the minimum wage. Clinton said that despite what he called his administration’s successes in creating 7 million new jobs and reducing the deficit, much remained to be done to insure that working families earn decent wages.
“I want a high-wage, high-growth, high-opportunity future, not a hard-work, low-wage, insecure future for the working families of the United States of America,” Clinton said.
The president, introduced by AFL-CIO chief Tom Donahue at the Labor Day picnic, announced that a consortium of California companies were getting a \$3.4 million federal contract to build electric cars at the Alameda Naval Station, which has been slated to close.
Clinton arrived in Monterey Sunday night, and stayed at the Pebble Beach home of Truman Arnold, one of his major fund-raisers. The president is scheduled to visit Fresno today.

Los Angeles Times

TUESDAY, SEPTEMBER 5, 1995
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Clinton Wades Into Campaign for California

By DOYLE McMANUS
TIMES STAFF WRITER

PLEASANTON, Calif.— President Clinton unofficially opened his 1996 campaign to win California's 54 electoral votes Monday, denouncing Republican stands on immigration and affirmative action and issuing a Labor Day call to employers to share more profits with their workers.

Addressing large and friendly Democratic crowds in Monterey and Alameda counties, Clinton assailed his conservative opponents and accused them of dividing the nation for political advantage.

Please see CLINTON, A17



Associated Press

President Clinton waves as he dedicates the new California State University campus on Monterey Bay.

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Los Angeles Times

Continued from A1

"This crazy idea that somehow we can go into the 21st Century by weakening our middle class, by dividing our people against each other, by convincing hard-working, middle-class people that the reason they don't have a good income is because of welfare or affirmative action or immigration... That's not what's holding your wage down," the President told a cheering labor union picnic crowd at the Alameda County fairgrounds.

"What's holding your wage down is the inability to get a fair deal in a competitive global economy because we need more investment in education (and) more investment in training," he added.

Aides said Clinton had California Gov. Pete Wilson in mind, although he did not attack him by name. "It's still 1995," White House Press Secretary Mike McCurry noted, explaining the President's reticence to assail any putative GOP candidates more directly.

The President also said executive salaries have grown out of proportion with ordinary workers' incomes, and urged corporations to raise wages voluntarily.

"Thirty years ago, in the biggest companies in this country, the average executive made about 12 times what the average shop worker did; today it's 120 times," he said as the union members erupted in lusty boos.

"I'm all for people becoming millionaires," Clinton continued. "But the people of this country who make it go are the average working families, and they deserve their fair share of their own productivity and competitiveness."

"I think it is time for American business to follow the lead of our best employers and share more of those profits with their working people. The government can't do that; business has to do that."

In a Labor Day visit that looked distinctly like a campaign swing, the President also dedicated a campus for the California State University system at the former Ft. Ord army base on Monterey Bay, calling it a model of how Cold War defense installations can be converted to new uses.

Clinton noted that California had "lagged behind" the rest of the nation in the economic recovery of the past two years "because California rose so much on the economy of the Cold War."

"God just wanted to test you to see how strong you were," he told the crowd of about 12,000. "But California is coming back."

McCurry and other aides denied that Clinton's visit to Central California—a rich lode of Democratic votes he must carry handsomely if he is to win the state—was a campaign event in official guise.

But the demands of his reelection campaign, which has not yet been formally launched, dominated the schedule.

The President stayed at the elegant Pebble Beach vacation home of Texas oilman Truman Arnold, finance chairman of the Democratic Party, and held several private meetings with campaign contributors. His public appearances were recorded by a video crew from the Democratic National Committee, to provide material for campaign commercials.

And the White House announced that Clinton will hit the road again in two weeks for a five-city fundraising trip, which will include stops in Philadelphia, Miami, Denver, San Francisco and Los Angeles.

Even the Cal State dedication, ostensibly a nonpartisan event, looked like a Democratic Party rally. Although state Atty. Gen. Dan Lungren and Treasurer Matt Fong were on the guest list, the only politicians who spoke were Democrats, including Lt. Gov. Gray Davis, who said he was speaking as "acting governor" since Wilson was out of state, and Sen. Barbara Boxer (D-Calif.). Some in the audience waved 1992 Clinton-Gore campaign signs, and the public

address system played "Don't Stop (Thinking About Tomorrow)," the Fleetwood Mac song that became the anthem of Clinton's 1992 campaign.

The President used the occasion to rehearse some of his favorite campaign themes, as well—including his claim, after two years in office, to remain an "outsider" unsullied by the ways of politics in Washington.

"You couldn't run anything in this country the way people try to run politics in Washington, where talking is more important than doing... and you have to be willing to sacrifice every good in the moment for the next election," he said.

The dedication of Cal State Monterey was something of a personal triumph for White House Chief of Staff Leon E. Panetta, who began working on the project as Monterey's congressman in 1991. It was then that the Pentagon announced it would close Ft. Ord. The base was once a cornerstone of Monterey County's economy, and its closing cost an estimated 17,000 jobs.

The new campus takes up only a small part of the sprawling facility, though, and local officials, interest groups and the Army are still waging spirited battles over what the rest should be used for.

Clinton drew cheers Monday when he threw his weight into one major controversy: the Army's reluctance to give up Ft. Ord's two championship golf courses to the town of Seaside.

The military headquarters have been turned into classrooms, and a military airfield is now a business airport, so soon, "the golf courses are going to be operated for the public," Clinton proclaimed.

This week's visit was Clinton's 19th to California since he became President, according to White House officials—a number no other state, including his native Arkansas, has approached.

Clinton plans to fly to Fresno today to teach an eighth-grade history class in nearby Selma, give a speech highlighting his defense of federally subsidized student loans against Republican budget cutters, and meet with two dozen Central Valley ranchers and farmers to talk about agricultural issues. The President is scheduled to return to Washington tonight.

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The Sacramento Bee

Clinton defends school funding

He teaches history class at Selma stop

By Alison Mitchell
New York Times

SELMA — Seeking to return to Washington on the political offensive, President Clinton stumped Tuesday for education spending before a crowd of thousands gathered outside a Central Valley middle school.

Clinton's appearance at Abraham Lincoln Middle School was one of many events the White House has planned to rally public support for the president's fiscal priorities as he and the Republican-controlled Congress move into the crucial months of their competition on the budget.

"Education is not supposed to be a partisan political football, and it should not be when Congress returns tomorrow," Clinton said Tuesday in his campaign-style rally before a crowd of parents, students and teachers. "We ought to stay on the side of education."

One placard pasted on a wall expressed just the political message Clinton was trying to send: "Clinton = education."

Clinton and Republicans in Congress have sharp differences on issues like education spending, Medicare spending and tax cuts, and for two days Clinton has been trying to drum up support for his priorities in a state that will be

mentioned his negotiations with Congress over the budget and his frustration with the allies' response to events in the Balkans.

But then he added, "The worst days as president are days when things happen that you set in motion that are bad." He mentioned the deaths of three U.S. negotiators in Bosnia, and he called the deaths of American soldiers in Somalia "the darkest day of my presidency."

Erica Franco, 13, stumped Clinton when she asked what he planned to do after he left office.

"I don't know," he said. "I haven't thought about it much. Once in a while I think about it, but I haven't — you know, if I stay healthy and I've been blessed with pretty good health, I hope I can continue to do some things that are useful for my country. I'm not much on just laying around."

Speaking softly, his hands folded in front of him, Clinton, who was once a law professor, took them in 35 minutes from the Civil War and the battle to abolish slavery through World Wars I and II and the end of the Cold War.

Throughout his informal lesson, he stressed themes that he has repeated across two days in California — that American success in the global economy will depend increasingly on education and that Americans need to bridge their racial and ethnic differences.

The president spoke of a 21st century in which the students will face "competition not based on bombs or guns, but based on our minds and our ability to work."

The students' questions for Clinton were all personal. Asked what were his most difficult moments in office, Clinton at first

crucial for his re-election hopes. "When Congress comes back from their recess tomorrow, we will have 90 days of decisions about the budget, 90 days to choose what direction we're going to take," Clinton said Tuesday.

Focusing particularly on education spending, Clinton plans to meet with chief executives from companies supporting his endangered Goals 2000 program, which provides federal financing for state, community and school efforts to raise education standards.

And Monday he is planning a trip to Illinois to highlight a federal education loan program that Congress is seeking to scale back or eliminate.

Before the rally, Clinton gave a history lesson to a "class" of 20 nervous and excited eighth-graders who had been chosen by lot-

EDITORIALS

View from Washington

Clinton's vision for California is clearer than Wilson's

BILL Clinton is definitely good at campaigning. Although Clinton's visit to California over Labor Day weekend was officially presidential, Clinton the candidate was vividly in evidence.

California is ranked somewhere between breathing and Big Macs on the list of what Clinton needs to survive. So the president had some benefits from Washington to point to: a new California State University campus on the former site of Fort Ord on the Monterey Peninsula; a \$3.4 million federal grant to a consortium developing an electric car in Alameda.

Pork was not the point, however; policy was. Both the campus and the cars are examples in which federal funding, supplemented with state, local and private money, brings jobs to a region. They are an implicit rebuttal to those Republicans who would trim the tree of government back to a stump.

Clinton's counterattack was more direct on three other issues: affirmative action, immigration and welfare. The three are the core of Gov. Pete Wilson's campaign to win the Republican presi-

dential nomination.

Without mentioning Wilson by name, Clinton drew a sharp contrast. He referred to "this crazy idea, that somehow we can go into the 21st century by weakening our middle class, by dividing our people against each other by convincing hard-working middle-class people the reason they don't have a good income is because of welfare or affirmative action or immigration."

Clinton is not oblivious to problems in these areas. He has called for a greater effort to reduce illegal immigration, has broached the possibility of modest reductions in legal immigration, has vowed to end welfare "as we know it" and has argued to "mend, not end" affirmative action.

What he has not done is indulge in rhetoric that undeserving people are stealing opportunities from deserving people. And his larger point, that these issues are less important than the growing strain on family incomes, is dead on point.

Can it be that the view of California is clearer from Washington than from Sacramento?

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SURVEY FINDS TEPID O.C. SUPPORT FOR WILSON CANDIDACY

Orange County voters see presidential hopeful Gov. Pete Wilson more as a distant cousin than a favorite son candidate. And, surprisingly in this heavily Republican county, local voters support President Clinton's bid for a second term as strongly as the governor's presidential campaign.

Meanwhile, more popular than any of the presidential candidates today is the anti-affirmative action initiative proposed for the statewide ballot in 1996.

These are some of the findings of a special section of the 1995 Orange County Annual Survey, UCI. The survey, which questioned 1,001 adult residents by phone Aug. 18-27, was conducted by Mark Baldassare, professor and chair of urban and regional planning in the UCI School of Social Ecology, and research associate Cheryl Katz.

The random survey, conducted on weekend days and weekday evenings, included interviews with 810 registered voters on elections and political issues. The sampling error for the subsample of all voters is plus or minus 3.5 percent, and for Republicans it is plus or minus 5 percent.

For the Republican presidential primary, Wilson trails Sen. Bob Dole by a 20-point margin (35 percent to 15 percent). The other candidates each receive less than 10 percent of the vote, while 30 percent are undecided. Wilson is behind Dole by a wide margin among GOP conservatives, while he fares a little better among the minority who call themselves moderates and liberals.

"The survey shows that Wilson is off to a rocky start in what is a critical Republican stronghold", said Baldassare. "He assumes that he's going to have the support of Californians in

- more -

his race for president, but the results indicate that he is going to have to win that support; he doesn't have it automatically.

"Even more alarming for Wilson is that in Orange County he is only tied in a matchup with Clinton, who actually is running ahead of the Democratic registration, indicating that Clinton is drawing support from independents as well as some Republicans."

The survey found that if Clinton faced Wilson in a presidential election today, 41 percent of Orange County voters would back the president while the same number would vote for Wilson. One in five Republicans and half of the independents would vote for Clinton, while only one in 10 Democrats would cross over to vote for Wilson. By contrast, Dole wins a matchup against Clinton by a large margin (50 percent to 35 percent). Dole is solidly supported by Republicans, attracts one in five Democrats and has the support of one in three independents.

And while the survey showed strong support for the anti-affirmative action initiative proposed for the 1996 state ballot, that support so far has not translated into backing for the governor who has been pushing the measure, Baldassare noted.

Orange County voters support the measure by a two to one margin (64 percent to 31 percent), which is a larger edge than voters gave it in a statewide poll. Republicans are overwhelmingly in favor (71 percent to 25 percent) and even a majority of Democrats support the measure (58 percent to 36 percent). Independents are divided on the issue (48 percent to 47 percent).

"Wilson expected his strong support for anti-affirmative action policies would win him the hearts of Orange County voters, but so far that hasn't materialized," Baldassare said. "He has made anti-affirmative action his issue much as he made illegal immigration his issue in '92, but right now the voters don't seem to be giving him any more support because of it."

Baldassare said backing for Clinton is stronger than expected in Orange County.

"He's doing better in a potential race against Wilson than he did against a sitting president in 1992," he said. "In order for Clinton to win he has to attract the independent voters. Certainly in a run off against Wilson, those voters—who tend to be a cynical bunch—seem to like the president better than the governor."

OCAS

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"To win his party's endorsement, Wilson has to do very well in the state," said Baldassare. And Orange County's large block of Republican voters will play a key role in both the primary and general election.

"A couple of things may be working against Wilson at this point. He was a late entry into the presidential primary. There also is the broken promise he made during the governor's race when he said he wouldn't run for president. And since that race, Orange County has gone through a lot of turmoil with the bankruptcy and the state has not intervened in any meaningful way to help the local problem here."

The Orange County Annual Survey, now in its 14th year, is supported by donations from 30 Orange County corporations, public agencies and foundations. Complete results of the survey, which also polls residents' views on business, the economy, housing and quality of life, will be released in late November.

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1996 ELECTION PREVIEW

"If you were voting today in the Republican presidential primary, which candidate would you vote for?"

OC Republicans:	All	Conservative	Liberal-Moderate
Bob Dole	35%	37%	28%
Pete Wilson	15	14	17
Phil Gramm	9	11	5
Pat Buchanan	5	6	2
Bob Dornan	2	3	2
Lamar Alexander	1	1	1
Other	3	2	6
Don't know	30	26	39

"If the presidential election were held today and included the following two candidates, would you vote for..."

	OC Voters	Dems.	Reps.	Indeps.
Pete Wilson	41%	12%	61%	28%
Bill Clinton	41	73	21	50
Other	4	3	5	5
Don't know	14	12	13	17

"If the presidential election were held today and included the following two candidates, would you vote for..."

	OC Voters	Dems.	Reps.	Indeps.
Bob Dole	50%	19%	71%	33%
Bill Clinton	35	67	15	48
Other	2	1	2	5
Don't know	13	13	12	14

"An initiative has been proposed for the California ballot in 1996 which would prohibit state and local governments from granting preferential treatment to any individual or group using race, sex, color, ethnicity or national origin as a criterion for hiring, promoting, granting admissions to college, or selecting public contractors. If the election were held today, would you vote yes or no on this initiative?"

	OC Voters	Dems.	Reps.	Indeps.	CA Poll*
Yes	64%	58%	71%	48%	56%
No	31	36	25	47	34
Don't know	5	6	4	5	10

* Source is the California Poll in May 1995.

THE PRESIDENT HAS SEEN
9/11/95

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Timber Sales Deal Rekindles Furor

Clinton's Acceptance of Harvest Jeopardizes Northwest Forest Plan

By Tom Kenworthy
Washington Post Staff Writer

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Two and a half years after President Clinton moved decisively to broker a truce in a region critical to his political fortunes, the Pacific Northwest timber war is flaring up again. And even some of the president's political allies say the White House has only itself to blame.

Clinton's reluctant acceptance of timber harvest provisions in a budget-cutting bill he signed into law last month has thrust the White House back into the same kind of political and legal battle that raged in the Pacific

Northwest for years over northern spotted owls and old-growth forests.

This time, the fight is about an obscure, robin-sized seabird called a marbled murrelet, and the huge, ancient trees it needs when it flies to coastal forests to nest. The battle could unravel the delicately crafted Northwest forest plan that the White House



MARBLED MURRELET

knitted together in 1993 to placate warring timber workers and environmentalists in a region the president needs to carry next fall.

At issue are congressional timber directives that received much less publicity during the rescissions bill debate than did other provisions mandating a new program for salvaging dead and dying timber from national forests. The sections in question concern the sales of thousands of acres of healthy "green" trees—many of them ancient behemoths—in Oregon and Washington. Sale of the trees has been on hold since the early 1990s to protect the murrelet, which was listed as a threatened species in 1992.

In the rescissions bill, Congress directed the U.S. Forest Service and the Bureau of Land Management, an agency of the Interior Department, to proceed within 45

See **TIMBER, A6, Col. 1**

TIMBER, From A1

days with those long-delayed timber sales. The sales involve 270 million board feet of timber—enough to build 27,000 houses. Congress said that a sale tract could be left uncut only if it contained a nesting murrelet, and then the timber volume would have to be made up elsewhere.

The elusive murrelet, congressional leaders argued, was sufficiently protected by the president's own Northwest forest plan, which grew out of a timber summit hosted by Clinton in early 1993. It sets aside forest reserves and stream buffers to protect the spotted owl, murrelet and other wildlife species.

The ink had barely dried on the rescissions bill before Republican congressional leaders, the timber industry and the environmental community were screaming—and suing—over how the administration should implement the new law.

Republican leaders in Congress, and the timber industry in court, want to force the administration to abide by an expansive interpretation of the legislative language that would require at least an additional 170 million board feet of timber to be cut. From the other side, the administration faces pressures from the environmental community, which is suing to block the entire timber harvest.

Lurking in the wings is a federal judge who accepted Clinton's Northwest forest plan and lifted court-imposed logging bans, but pointedly warned that the plan contained barely enough wildlife protection measures to comply with the Endangered Species Act and other federal laws. He said if the government cut back any further on wildlife reserves, he would be forced to reconsider.

The administration, which has a constitutional obligation to execute the laws passed by Congress, thus confronts a dilemma: If it fails to administer the timber provisions in the way GOP congressional leaders want, it could lose in court and would certainly face legislative reprisals on Capitol Hill; if it implements the law according to the congressional leaders' wishes, it may face renewed litigation and trouble in another courtroom for undermining the Northwest forest plan.

"We are faced with choosing our poisons," said Mark S. Gaede, a senior official in the Agriculture Department, which oversees the Forest Service. "There are unpleasant consequences either way we go."

Some of Clinton's Democratic allies are dismayed that the administration, by agreeing to the timber provisions in the legislation, allowed itself to be painted into this corner in the first place.

"They've created a big loser here out of stupidity," said Rep. Peter A. DeFazio (D-Ore.). "I think if they don't have some resolution to this problem, it is going to lose [Clinton] votes both on the environmental side and on the labor and industry side, and I don't think he has that many votes to spare in Oregon and Washington."

As with many political battles, this one comes down to differences over language, and over negotiating positions as the administration bargained with Congress over the rescissions bill this summer. Although the president vetoed the original bill, which cut about \$16 billion in spending from the current fiscal year, he wrung a few concessions from Congress and signed a subsequent version.

But the timber language stayed intact. It directed the administration to release timber sales that were ordered by a 1989 congressional appropriations rider, some of which were left uncut to protect the murrelet. Of the 7.7 billion board feet covered by the 1989 rider, about 270 million board feet in 57 separate sales have yet to be cut.

One of the disputes involving the administration, Congress and the timber industry is whether the rescissions bill covers just those 57 sales. It may also cover other sales in Oregon and Washington not specifically included in the 1989 rider but held up in subsequent years to protect wildlife—a minimum of another 170 million board feet.

In a letter to two Cabinet secretaries, six key Republican members of Congress—Sens. Frank H. Murkowski (Alaska), Larry E. Craig (Idaho) and Slade Gorton (Wash.), and Reps. Don Young (Alaska), Pat Roberts (Kan.) and Charles H. Taylor (N.C.)—demanded that the Clinton administration release all the sales in the region. The timber industry, in a suit filed in Oregon, has taken the same position. Both groups say the legislative record is clear that Congress intended to release all sales

that have been held up in the northwestern states.

The GOP lawmakers also demanded that the administration adopt a very stringent standard for determining if a sale tract, or unit, included murrelet habitat. The legislation, they said, requires there to be "actual direct evidence of nesting," rather than a protocol commonly used by scientists to determine murrelet occupancy that involves observing the birds' flying behavior above and through the forest canopy.

Which method is used to determine murrelet habitat is a critical issue. Through the end of 1994, only 73 nests of the elusive seabird had been discovered in the Pacific Northwest. Not only do the birds nest high in old-growth trees, but they do not really make nests at all, laying their eggs on branches instead. In contrast, hundreds of occupied murrelet sites have been identified using the scientific protocol.

But the lawmakers were adamant, saying that the administration conceded this point during negotiations on the legislation. "Unless there is direct evidence of current nesting, the sale unit must be released," the lawmakers wrote in their July 27 letter. In court filings, the administration has insisted both on the smaller number of overall sales and the looser definition of murrelet nesting.

Early this month, environmental groups also sued the administration, seeking to block it from letting any of the disputed sales go forward. They argued that all of the sale blocks are known to have nesting birds in them. "It's clear the industry is working hand in glove with these members of Congress to wedge open environmental laws on public lands to the maximum extent possible," said the Sierra Club's Mark Lawler.

Beyond all the daunting questions over legislative intent and how to determine murrelet habitat, one simple fact remains for Clinton, who had promised two years ago to produce a Northwest forest settlement that would be "scientifically sound, ecologically credible and legally defensible."

It is a little more than 14 months before the election and he is back in court fighting about birds and trees.

THE WASHINGTON POST
TUESDAY, AUGUST 29, 1995

THE PRESIDENT
9/11/95

Bob Shireman

Self-Serving Loan Program

THE WASHINGTON POST
WEDNESDAY, AUGUST 23, 1995

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What if government regulators decided to borrow some of the federal cash they handle to capitalize a separate firm that would offer "management services" for a fee, to the businesses they regulate? What if they then took the profits from this venture and used them to pad their paychecks and further build their business empires?

Would we call them scam artists or entrepreneurs? Would this regulator-cum-business present us with a conflict-of-interest problem or a model of efficiency?

To leaders in Congress responsible for overseeing the \$25 billion federal student loan program, this type of arrangement is called a "successful public-private partnership."

In guaranteeing student loans, Congress requires the U.S. Department of Education to work with nonprofit corporations and state agencies to approve bank participation and to confirm that the lender actually tried to collect the loan from the student before taxpayers pick up the tab.

These agencies are not paid through competitive contracts or negotiations that could ensure they are efficiently protecting taxpayers. Instead, they receive entitlements prescribed in law by Congress, leaving the Education Department with little leverage over the agencies. This has led the U.S. General Accounting Office to conclude that the program's structure "is not conducive to good financial management."

For almost all of these agencies, the federal government is the only investor, and taxpayers are the only losers when things go awry. Yet the normal rules of government do not apply to these regulators because they are not technically federal agencies. When taxpayers take the risk, the agencies lay claim to any gain. And they have hired expensive lobbyists and public relations firms to keep it that way.

The giant of this 42-member "industry" is United Student Assistance Group Inc., operating out of a steel-and-glass monument to corporate welfare on a sprawling parcel outside Indianapolis. USA Group is nominally a charitable organization, but the head of the agency pulled down \$591,214 plus benefits in 1993. Eight employees make more than \$150,000—exceeding the secretary of education's salary.

Like many such agencies, USA Group not only polices the program for the federal government but is also in the business of collecting loans on behalf of banks and buying and selling loan portfolios. When USA Group serves as both regulator and the regulated, whose side is it on? Last year, the Education Department took action to make student loan collectors liable for errors. As entities that are supposed to protect taxpayers, these agencies should have supported this move. But USA Group—which also works as a loan collector—moved to block the regulation.

Publicly available tax forms for the South Dakota agency reveal that it leases its telecommunications equipment for \$81,720 per year from a company owned by its executives. The board chairman sells the agency its insurance. And this "charitable" organization owns at least eight cars, including a Cadillac Seville and a Chevy Suburban.

The chairman of the House committee that oversees student loans, Rep. Bill Goodling (R-Pa.), has called the guarantee program "one of the most successful public-private sector partnerships." It is a strange definition of private sector: In his state of Pennsylvania, 2,000 state government bureaucrats police the federal student loans while also servicing the loans for banks and the state's tax-exempt loan market.

The problems are not isolated. The Education Department's independent inspector general has reported that conflict-of-interest problems are costly and common and that more than \$11 billion is at risk.

What is being done to stem these abuses?

The Clinton administration has expanded upon an alternative that was begun during the Bush administration. Known as direct lending, the new approach involves the same number of federal employees but uses competitive contracts with private-sector loan collectors instead of entitlements for the problem agencies or banks. A partial phase-in of direct lending has saved dollars and cut red tape for students and colleges. And the inspector general's office has testified that the conflict problems cannot occur in the direct loan system.

But most loans are still made in the error-prone, conflict-ridden guarantee program. And so far, only minor steps have been taken to rein in the abuses.

Even worse, Congress is moving full steam in the opposite direction. Legislation passed by the House hands \$160 million to the agencies as a new, bonus entitlement and bars the secretary of education from reclaiming any of the \$1.8 billion in federal cash the agencies control, even in cases of outright fraud. Rep. Tom Petri (R-Wis.) called this "blatant special interest protection."

Chairman Goodling announced last month that he will push to eliminate Clinton's reforms in September and will "save" money by slashing funds that the Education Department uses to police the guarantee program.

If this is the Republican model for privatization—lots of federal money, no private risk and little oversight—then the Corporation for Public Broadcasting has nothing to worry about. Taxpayers and students, on the other hand, had better watch their wallets.

The writer is legislative director for Sen. Paul Simon (D-Ill.).

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Robert J. Samuelson

Who's Right About Medicare?

We offer this week a primer on Medicare—federal health insurance for the elderly—which looms as the largest battle in the coming budget showdown. After Social Security, it is the biggest federal program, costing about \$180 billion in 1995. If its growth can't be curbed, balancing the budget may prove impossible. Republicans say Medicare's going bankrupt and can't survive in its present form. Democrats respond by accusing the Republicans of trying to savage the program (and the elderly) simply "to finance a tax break for the wealthy."

It's bipartisan terror. Each side contends the other is needlessly scaring you. Who's right? Actually, both. Even the Clinton administration quietly concedes that Medicare can't continue indefinitely without major changes. On the other hand, the drive to cut its spending \$270 billion over seven years (about 14 percent of estimated spending of \$1.9 trillion) would be more defensible if Republicans weren't seeking a \$245 billion tax cut over the same period. Both Republicans and Democrats are guilty of rhetorical overkill. This primer, as questions and answers, aims to cut through it.

Q: Is Medicare going broke, as Republicans say?

Yes and no. Medicare has two parts: Part A, which is hospital insurance and is financed by a 1.45 percent payroll tax on workers and employers; and Part B, doctors' insurance, whose costs are covered by general taxes (about 69 percent) and monthly premiums from recipients (about 31 percent). Part A (hospital insurance) is now projected to go bankrupt in 2002; that is, payroll taxes will no longer cover estimated costs. But, say Democrats, projections of bankruptcy have occurred at least nine times since 1970, and Congress has never let it happen.

Q: So why doesn't Congress prevent Part A's bankruptcy?

The White House says its plan would do that by cutting Medicare spending \$124 billion over seven years. Costs would be reduced mainly by lowering hospital fees. Part A's bankruptcy would slide to 2006. (A technical point: The White House uses

lower projections of Medicare spending than Congress. Using the same projections, the White House would need \$192 billion in savings, reckons Stuart Butler of the Heritage Foundation.)

Q: Democrats, then, have been telling the truth?

Not really. The reason Medicare can't survive unchanged is that its total costs (for hospital and doctors' insurance) are exploding. In 1970 they were \$6.8 billion, or 3 percent of federal spending. By 1994, they were \$160 billion, or 11 percent. By 2005, they could hit \$458 billion, or 17 percent, estimates the Congressional Budget Office. The problem would dramatically worsen when the baby boom begins to turn 65 in 2011. The "solvency" of Part A is simply an accounting issue. It distracts from the larger cost problem, which Democrats ignore.

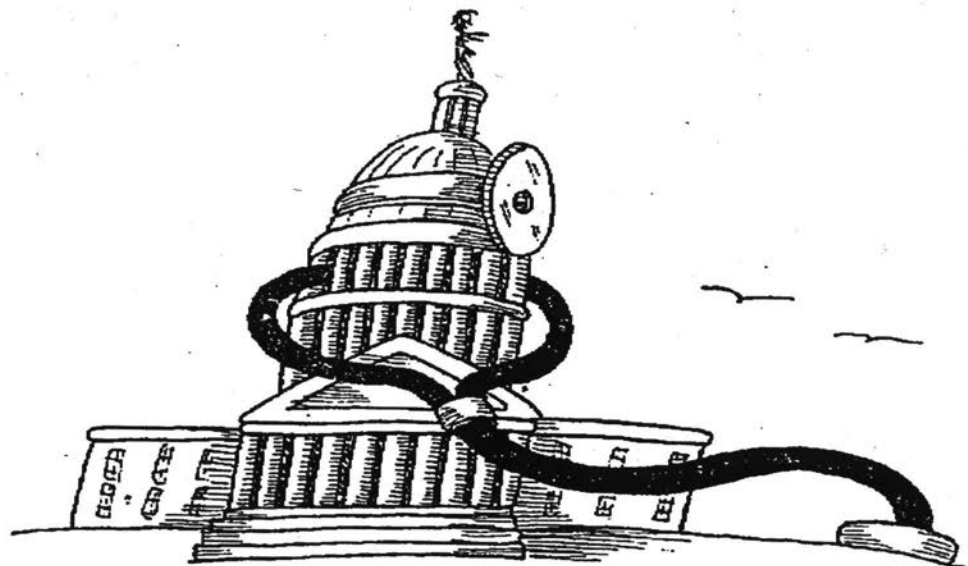
Q: What's caused the spending explosion?

Perhaps two-thirds stems from more Medicare beneficiaries and general health care inflation. In 1970, 20 million Americans received Medicare; now, 38 million do. But the rest reflects more medical services. Technology has improved. Between 1986 and 1993, the number of heart bypass operations jumped 68 percent (from 72,824 to 122,258), and the number of knee replacements 112 percent (from 54,210 to 114,659). Programs have been liberalized. Between 1986 and 1993, patients receiving home health care—visiting nurses and aides—doubled, and the average number of visits doubled. Costs rose from \$1.8 billion to \$8.1 billion.

Q: How would Republicans control spending?

They haven't said; plans will be released in September. In general, the idea is to slow Medicare's annual growth from the present 10 percent to about 6.4 percent. There are only three ways of doing this: reducing payments to doctors and hospitals; raising payments from recipients (higher Part B premiums or more copayments); and making the programs more efficient. (There's a fourth way—cutting coverage—but no one has suggested that.)

Q: Could "managed care" curb costs by improving efficiency?



Maybe. Employers have saved by shifting workers into "managed care"—health maintenance organizations and networks of doctors. In 1994 company health costs per worker fell 1.1 percent, reports the consulting firm Foster Higgins. That's a stunning reversal of double-digit increases of many earlier years. But even Foster Higgins wonders whether this was a one-time savings. Managed care may have lower costs than fee-for-service medicine, but annual rates of increase may be similar.

Q: If managed care works, could all Medicare beneficiaries change quickly?

No. Less than 10 percent of Medicare recipients now belong to an HMO. In practice, HMOs couldn't instantly absorb more than 30 million new members. Any effort to move everyone—disrupting existing doctor-patient relations—would also be wildly unpopular and doomed in Congress. The ultimate plans are likely to combine inducements to join managed care, cuts in doctors and hospital payment rates and, possibly, some higher fees to beneficiaries.

In this debate, Republicans occupy the high

moral ground and the low political ground. They have raised critical questions at the risk of political suicide. Dominated by Social Security and Medicare, programs for the elderly are the central budget issue. They exceed a third of federal spending and are expanding rapidly. They ought to be curbed gradually to reflect the elderly's improved life expectancy and economic well-being. There is a hard balance between limiting benefits for the old and overburdening the young. But sooner or later, the aging of the baby boom makes change unavoidable.

The sooner we start, the gentler it will be. The trouble is that Democrats never want to start. They portray anyone questioning these programs as plundering the elderly. The White House urges that Medicare's long-range problems be settled later by a "bipartisan approach." Gee, Clinton created a bipartisan entitlement commission in 1993 to consider such issues; he then ignored the commission. Ideally, Democrats would stop pandering and Republicans would drop tax cuts. Ideally, we would have a candid debate. But the world isn't ideal.

THE WASHINGTON POST
WEDNESDAY, AUGUST 30, 1995

THE PRESIDENT HAS SEEN
9/11/95

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- What do you think?
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Request by PAN to Meet with the President

For reasons unclear to me, last week the following gentleman came to my office in southern California: Dr. Agustin Navarro G., Secretary of International Relations, Partido Accion Nacional (PAN), Mexico's second largest political party. My assumption is that Dr. Navarro is PAN's minister of state-in-waiting.

I don't do international consulting, so I assume one of the Mexican YPO'ers who knows I support the President suggested that Navarro talk to me.

Dr. Navarro seeks a meeting between President Clinton and the president of PAN, Carlos Castillo Peraza. Castillo just had a meeting with Fidel Castro and meetings are scheduled with President Kohl and President Chirac.

With the upcoming meeting in October, President Clinton will have met with President Zedillo on three occasions. Friendly communication with PAN may benefit President Clinton's relationship to the millions of Mexican-Americans in California, Arizona, Texas, Chicago, etc.

Three weeks ago, PAN won the gubernatorial election in Baja, the first time in Mexican history that an opposition party succeeded itself in control of a state house. This seems like a problem for the ruling party, PRI, as President Ernesto Zedillo comes from Baja.

PAN now controls the state governments in Baja, Jalisco, Chihuahua and Guanajuato (and is protesting to OAS over the disputed election results from Yucatan. As recently as 1988, PAN governed only about 800,000 Mexicans. Today, PAN controls about 28% of Mexico, and seems poised for major gains or control in the 1997 Mexican congressional elections and the real possibility of winning the presidency in 2000).

Particularly in Mexico's northern states, PAN seems popular with young people who see themselves as budding entrepreneurs eager to compete in an economy modeled after the United States. PAN and PRI seem ideologically similar but PAN is viewed as the party of change while the PRI is viewed by many Mexicans as corrupt and fat with power.

Dr. Navarro (himself a former lobbyist in Washington, D.C. for the PRI-controlled national government) traces PAN's popularity to hard work and to Mexico's growing embrace of the PAN's general philosophy of individual rights, less government regulation and more open democracy.

8/29/95

WHITE HOUSE
WASHINGTON

Talk to
man.



LEON PANETTA

CONFIDENTIAL

STANFORD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS
STANFORD, CALIFORNIA 94305-5015

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JOHN W. GARDNER
HOLDER OF THE MIRIAM AND PETER HAAS
CENTENNIAL PROFESSORSHIP IN PUBLIC SERVICE

TELEPHONE (415) 725-4198
FAX (415) 725-6152

September 5, 1995

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I wish to withdraw from the effort to create a Commission on Campaign Finance Reform.

Three months have elapsed since "The handshake," and Speaker Gingrich has remained unresponsive to all of the various attempts to follow up.

A Commission will not work unless all participants are committed to pursue the stated purpose with energy and in a timely manner. Given the Speaker's extraordinary unresponsiveness, I see no possibility of such a commitment, none whatever.

I respect the sincere initiative you have taken, but in my judgment any prolongation will be counterproductive.

I thank you for your good efforts. It goes without saying that I remain committed to solving this problem, and will do whatever I can to that end.

Sincerely,



John W. Gardner

9/11/95

to VP

THE NEW YORK TIMES, MONDAY, AUGUST 21, 1995

Cut the Public In on the Mega-Mergers

By Lawrence K. Grossman

The Government should take a chunk of the proceeds from the current communications gold rush and use it to subsidize public-interest programs, which are being pushed aside by the sports-and-entertainment prospectors.

The nation is entitled to a decent return on public property — the airwaves that it gave away free to communications companies. The epidemic of media mega-mergers demonstrates the extraordinary financial value of the television and radio station licenses, cable franchises and cellular phone frequencies.

Consider the figures. Capital Cities/ABC was sold to Disney for \$19 billion, CBS to Westinghouse for \$5.4 billion, Viacom's cable franchises to TCI for \$2.25 billion and McCaw's

Lawrence K. Grossman, former president of NBC News and PBS, is author of "The Electronic Republic."

cellular phone franchises to AT&T for \$12 billion. Even WNYC-TV, which never made a profit in its entire history as a public station, is being sold by New York City for a surprising \$207 million to ITT and Dow Jones.

A large part of the price in some of these deals reflects the endlessly growing value of the sellers' exclusive Federal licenses to operate on the public spectrum. In others, much of the value lies in municipally granted cable TV franchises.

Until deregulation, which began during the Carter Administration, broadcasters had a legal obligation to serve the "public interest, convenience and necessity." But today's nearly full-scale deregulation, which prompted many of the most recent transactions, has all but eliminated the public-interest requirement.

In the deregulated market, programs that do not turn a profit — educational and high-quality children's fare, documentaries, civic forums, free political time — inevitably lose out to entertainment programs that do. Disney's chairman, Michael D. Eisner, drove that all-too-familiar

point home when Disney bought ABC. The goal, he said, is to exploit the world's growing appetite for "nonpolitical entertainment and sports." Ditto ITT and Dow Jones: They intend to turn WNYC-TV into a commercial superstation that features sports, entertainment and financial news.

So, with Federal oversight of telecommunications content neither legal, desirable nor feasible, what can be done to help fill the public-interest gap? The megadeals show the way.

The Government should require the principals in future telecommunications sales and mergers to pay the Treasury a modest fee. This would enable the Government to recover at least a fraction of the dollar value of the TV frequencies and the cable franchises (over which the Federal Communications Commission retains some jurisdiction). Also, telecommunications companies should pay an annual fee of 1 or 2 percent of revenues. Meanwhile, the F.C.C. should continue its sensible policy, started last year, of auctioning or leasing unused frequencies, not simply giving them away.

A modest fee could finance high-quality TV.

The Treasury should use a portion of the proceeds to reduce the Federal deficit and help pay for various Government services. But a significant share should be set aside to build up a healthy public telecommunications trust fund, which would be administered by an independent board.

The fund could help finance public TV and radio. It could pay for generous amounts of free air time for national and local candidates during election campaigns, for electronic town meetings and for first-rate educational and children's programs. It could finance the interconnection of schools, libraries and museums in a vast educational telecommunications network. And it could subsidize videocassettes, CD-ROMS, documentaries

and printed reports on major public issues produced by the Library of Congress.

The size of the potential public dividend is breathtaking. As *Forbes* magazine said (in its May 8 issue): "The commercial spectrum currently used for broadcast, cellular telephone, satellite and so on is worth somewhere between \$100 and \$200 billion. If all spectrum were leased on long-term contracts rather than sold, it would generate additional Federal revenues of \$10 billion to \$20 billion a year." And that's a conservative estimate. Recent auctions of unused public airwaves raised \$10 billion.

Although the political climate on Capitol Hill is hostile to this toll-gate approach to subsidizing public-interest programs, the climate could change.

In 1987, Senator Ernest F. Hollings, Democrat of South Carolina, suggested that whenever radio and TV stations were sold, the Government be paid a fee of 1 percent to 4 percent of the sales price. The idea got nowhere. But fiscally responsible ideas have a way of coming back.

THE PRESIDENT HAS SEEN
9/11/95THE WASHINGTON POST
MONDAY, AUGUST 28, 1995

A Way Out on Campaign Reform

SENS. JOHN MCCAIN (R-Ariz.) and Russ Feingold (D-Wisc.) have begun circulating a proposal to reform the way campaigns are financed. They expect to introduce it after Labor Day and are searching for the broadest co-sponsorship. The bill is not everything it could be, but it is decidedly worthy. Its chief sponsors—a conservative Republican and a liberal Democrat—have tried hard to solve the problem that has bedeviled all past campaign finance reform efforts: how to write a bill that equally benefits and equally burdens both political parties. They have balanced these equities while trying to improve the lot of those in either party who try to take on well-financed incumbents.

The Supreme Court has severely impinged on Congress's ability to limit campaign spending and contributions, arguing that the severest constraints constitute a limitation on the rights of free speech. Consequently, efforts to limit campaign spending must be premised on a deal—candidates who voluntarily give by limits will be rewarded. The most logical and equitable way to do this is the system now used in presidential campaigns: In primaries, presidential candidates who live under specified limits have their smaller contributions matched with public money; in the general election, presidential campaigns are publicly financed.

Unfortunately, a substantial majority of Republicans has rejected public financing, meaning that any reform bill premised on public financing has no chance in the current Congress. This has led Sens. McCain and Feingold to come up with a different

package of benefits. Their bill, which only covers candidates for the Senate, would give 30 minutes of free television time (60 spots of 30 seconds) on stations of their choice to candidates who agree to spending limits. It also offers such candidates cut-rates on television time actually purchased and reduced postage rates.

The bill—unwisely and, in our view, unconstitutionally—would ban political action committees. But the backup provision on PACs that would take effect if the courts voided the ban makes sense: It would limit PAC contributions to \$2,000 per election cycle—down from \$10,000—forcing PACs to live under the same limits that now apply to individuals.

The bill includes other useful provisions: a ban on free mass mailings by incumbents a full year before an election; limits on the amount of "soft money" that parties can raise from big contributors; and ways to raise additional funds for candidates facing opponents who refuse to live by spending limits. Especially promising is a new disclaimer that would have to appear at the end of political advertisements: "[Candidate X] is responsible for this advertisement." Candidates *should* say outright that they are responsible for the stuff they put on the air.

We still believe that public financing of campaigns is preferable to compulsory free television time. But the McCain-Feingold bill answers many of the complaints that have been raised against campaign finance reform efforts in the past and would represent a large step forward. It deserves support and early consideration.

Russian Uranium, U.S. Security

THEFT OF NUCLEAR material in the former Soviet Union, and its resale to the wrong people, is now arguably the greatest physical threat to the United States. A series of smuggling operations has been intercepted by European police, most involving small amounts. But last December Czech police seized a shipment of highly enriched uranium approaching the volume that could have produced a bomb.

Sen. Richard G. Lugar, who thinks Washington isn't paying enough attention to the possibilities here, has just held hearings to put some of the realities on record. As several scientists testified, the technology of building nuclear weapons is no longer a secret. The only real barrier to nuclear arms is manufacturing the plutonium or enriched uranium. If a government can circumvent that barrier by acquiring those materials on the black market, even a country with no more technical resources than Iraq's could have a weapon within months.

Political turmoil in Russia, and the deterioration in the armed forces' morale, aggravate the difficulties of securing the enormous Soviet accumulations of this material. Mr. Lugar, who has been following this issue with concern, joined with Sen. Sam Nunn several years ago to provide money to help the

Russians strengthen the security of these caches. The program suffered from bureaucratic entanglements in both countries and has not been as useful as it should have been. A more effective effort is now being run by the Department of Energy through direct contacts between the national laboratories in this country and their Russian counterparts.

But security is expensive. One knowledgeable witness, physicist John Holdren, pointed out that the United States spends \$800 million a year on nuclear security. The Russian stockpiles of fissionable material are even larger than the American ones, and the present Russian security systems are clearly inadequate. The United States is helping but, Dr. Holdren said, only to the extent of about \$100 million a year. The disproportion is striking. Even these funds, unfortunately, are now being sharply reduced by the congressional budget cutters. That may turn out to be an exceedingly expensive economy.

Beyond money, keeping reliable control of the world's stocks of nuclear materials is going to take much closer international cooperation, not only between Russia and the United States, but among all governments as they work to isolate the renegades and outlaws.

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JONATHAN YARDLEY

~~Leon Furman~~
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Before it's all over, you can bet that total expenditures will have climbed well into seven figures and that all members of Congress deemed skeptical about NEH will have found their states and/or districts amply oiled with NEH grease. That is because grease, pure and simple, is all that this "conversation" is actually about.

THE WASHINGTON POST
MONDAY, AUGUST 28, 1995

THE PRESIDENT HAS SEEN

9/11/95

John Ashcroft

Uncharitable Criticism

Sen. Robert Dole and I have been criticized by the American Civil Liberties Union and The Post for our proposal to allow states to contract with private and religious charitable organizations in trying to solve the welfare problems that have confounded generations ("Go to Church for Your Check," editorial, Aug. 21).

While conceding that charitable religious organizations are often immensely successful in caring for the poor, The

Taking Exception

Post said they should not be used by states for three reasons: potential uncertainty about who is providing the benefits, possible religious favoritism and concerns over proselytizing. While the title of the editorial is grossly misleading—states would not be asking religious organizations to distribute checks, but services—the concerns raised are valid: They are precisely the concerns that we answered in designing this charitable provision.

The Post worries about "potential confusion about the real source of benefits." While under this proposal states could choose to contract with charities for services like parental training classes, job training and drug rehabilitation, any such organization would be required to disclose the receipt of governmental funds. There is a broader point, however. At a time of rampant illegitimacy and even more rampant hopelessness, who gets credit for helping should not be our greatest concern. After 30 years of failed government "helping," we should be encouraging, not worrying about, recipients who find help outside of traditional governmental programs—even if that may mean they no longer genuflect at the temple of government.

The Post further worries about "the possibility of state favoritism among religious groups." With our plan, states would be able to consider choosing all charitable organizations—including religious ones—on a competitive basis. The concern, properly understood, is not whether states may favor religious organizations in the future. It is how we can remove current state bias against the charitable religious organizations that history has validated as successful. If we want to change welfare, we must embrace organizations The Post has called "exemplary social service providers."

Finally, the editorial raises the specter of "the likelihood of subtle proselytizing." Using federal funds for any purpose other than serving the poor is prohibited under our proposal. That means proselytizing is prohibited. Any individual objecting to services from a religious organization will be given a voucher for the amount of the service to be redeemed from another source.

But can such a provision withstand Supreme Court scrutiny? The answer, according to the court, is yes.

The Adolescent Family Life Act, which recognized the right of religious organizations to receive federal grants for services and research in premarital

adolescent sexual counseling and pregnancy, was deemed constitutional. Chief Justice Rehnquist stated that the court "has never held that religious institutions are disabled by the First Amendment from participating in publicly sponsored social welfare programs."

Unfortunately, government policy has not always been as progressive as the court's rulings. For instance, under HUD's Emergency Shelter Grants program, religious symbols are prohibited unless they are "permanent affixed" to the buildings, and religious organizations that want to participate cannot do so unless they create nonprofit, nonreligious subsidiary to administer grants.

In New York, a number of foster parents who received public assistance were forced to strip religious symbols from their homes. And in Mississippi, the Salvation Army was prevented from firing an avowed witch who had claimed to be a Catholic on her job application simply because the organization had received federal funds.

Taken as a whole, this hostile attitude toward religious charitable organizations has a chilling effect, creating a climate in which both states and charities are constrained from helping—charities be-

cause they fear the costs of burdensome lawsuits and government regulation, states because they do not think they can choose charities.

Today we face a crisis of human misery in welfare. For more than two generations we have sought to solve that crisis by throwing governmental programs, bureaucracy and money at the problem. All we have done is made that problem worse. It is one of the unchallenged lessons of history that private charities have many of the answers that government is incapable of providing. Charities have a character all their own—they are caring, compassionate and loving. Government, however, is all too frequently sterile and indifferent.

It is time to look beyond Washington and beyond government for answers. Our plan would simply allow states to choose those charities successful in meeting human needs. It is neither "simply wrong" nor "probably unconstitutional." In fact, it is not a problem at all—it is a potential solution.

The writer, a Republican senator, represents Missouri and is a former two-term governor of that state.

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THE WASHINGTON POST
FRIDAY, AUGUST 18, 1995

Strategists Mull Independent Campaigns

Sen. Bradley Sparks Debate Over Effect of Centrist Candidates

By John F. Harris
Washington Post Staff Writer

JACKSON HOLE, Wyo., Aug. 17—From the White House vantage point, Sen. Bill Bradley's news conference today looked more like an exercise in frustration than the beginnings of an urgent new thrust to President Clinton's reelection next year.

Several White House advisers said they don't expect Bradley (D-N.J.) to enter the race as an independent, despite his pointed refusal to rule out that possibility. Even so, they said, Bradley's rumblings have fueled speculation within the White House and Democratic circles about the prospect of a presidential race with several independents.

The likely impact of these bids would vary widely: Many White House aides have long welcomed a second Ross Perot candidacy on the theory that the maverick businessman hurts Republicans most. Likewise, there is general acknowledgment that if Jesse L. Jackson ran as an independent, he could win many traditionally Democratic voters with disastrous consequences for Clinton.

Harder to figure, according to Clinton advisers, is an independent of the stripe of Bradley, retired Army Gen. Colin L. Powell, or former Connecticut governor Lowell Weicker. All of them have hinted at independent candidacies that presumably would be based on centrist ideologies combined with a promise to rise above the traditional partisan combat.

While stressing that they are not complacent toward any potential challenger, several administration officials and advisers said today that such middle-of-the-road independent candidacies usually sound much better in theory than in practice.

"There's no question that the political parties are weakened, but it's still true that an independent candidacy has to have something unique to say," said pollster Geoff Garin, who often advises the White House.

"For something like this to catch fire," said one administration official, "there has to be either a galvanizing personality or a galvanizing issue. . . . Bill Bradley has a galvanizing biography but not a galvanizing personality."

That official predicted that next year would "ultimately shape up as a fairly traditional two-way race." In any case,

there is little to be gained for Clinton to try to anticipate the likely impact of independent candidacies because "an incumbent president is always in a one-man race"—in which defending his own record is more important than the opposition.

Frank Greer, a media consultant and Clinton adviser, argued that a Bradley candidacy would have the same impact as a Powell candidacy: "In a three-way race, the president does better because 'Democratic voters are happy with Bill Clinton as their nominee.'"

Gary Hines, the Democratic Party chairman in Delaware, isn't so sure. Bradley would "pull a lot of Democrats," he said, warning that, "if he doesn't like what's going on with the Republican-controlled Congress, wait until he winds up with 60 seats held by the GOP in the Senate and a Republican president, which is the effect of his running."

The administration has directed most of its political efforts thus far to avoiding or surmounting a strong primary challenge on the theory that, historically, it is these intraparty fights that spell the most trouble for presidents, officials said. Even so, "We are geared up for an independent candidate in the general election," said deputy

White House press secretary Ginnv Tersano.

But she predicted that if an independent challenge comes, it won't be from Bradley: "I think, in the end, you're going to see Senator Bradley remain a good, strong Democrat," Tersano said.

Clinton, himself, seemed acutely aware of the impact Bradley's decision to leave the Senate will have on an already weakened Democratic Party.

Even before Bradley formally announced his decision, aides reached Clinton on the golf course at his vacation spot here with a statement that was about to go out under his name. Taking a break from the links, Clinton plunged into a quick edit. Among the passages he added, according to an aide, was one that sent the message that, whatever Bradley's disaffection, his politics and Clinton's are the same.

Clinton's revised statement hailed Bradley as someone who has moved the Democratic Party in a new direction "in favor of deficit reduction and free trade, while continuing 'our traditional mission' of protecting the environment, children and the elderly."

Staff writers Ann Devroy in Washington and Thomas B. Edsall in New Orleans contributed to this report.

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NEW YORK TIMES, THURSDAY, AUGUST 24, 1995

Advice From Welfare Mothers

By Allan Luks

Iris, a 28-year-old mother on welfare with a young child, supports limiting the amount of time families could receive public assistance. Mary, 30, a single parent whose sporadic jobs have given her an on-and-off welfare history, agrees that a mother on welfare should not receive increased assistance if she has another child.

Iris and Mary's views come from a recent survey by my organization of a group of New Yorkers that social scientists call the striving poor — families determined to move out of poverty. How they view the welfare reform debate will probably surprise those who see the poor as one giant give-me-money sponge.

A majority of the 128 respondents in our poll said they were ready to support a five-year limit on welfare as well as an end to assistance for additional children. And one-third agreed that aid to unmarried mothers under 18 should be eliminated.

Twenty-five percent of the poll's mothers received welfare and 42 percent had family income of less than \$15,000. Welfare provided subsistence, they explained, but it made them feel inferior and failed to get them jobs to support their families and lift them permanently out of poverty.

For that reason, they declared in the survey's interviews, they would support large welfare cuts, so long as the reforms offered new efforts to help them succeed. At the same time, these mothers and guardians expressed great fear for their future if career training and other programs

Allan Luks is the executive director of Big Brothers/Big Sisters of New York City.

to counterbalance the cuts were not to appear.

More than 500 poor single parents received the welfare opinion survey forms; 128 replied. The 25 percent response rate is twice as high as the 12 percent norm for anonymous mail surveys. I led the survey and subsequent group discussions; Dr. Peter Frecknall, a professor of psychology at George Washington University, did the statistical analysis. The mothers were identified as belonging to the striving poor because of their strenuous efforts, often involving a long wait, to obtain weekly volunteers for their children through the Big Brothers/Big Sisters of New York City program. These women were clearly motivated to improve their lives and those of their children.

A 55 percent majority agreed that if a mother on welfare gives birth to another child she should not receive increased benefits. But these parents and guardians emphasized that such a denial could work only with successful programs to find the fathers and make them pay support. To these women, that meant job training and placement for both fathers and mothers.

As Susan, a 47-year-old mother on welfare with three children, explained, "Job training and getting

jobs should be mandatory and two-way — an obligation for government and big penalties for fathers if they refuse to participate."

Without such government initiatives, the women noted, the refusal of money for the extra baby would mean less money for all their children. That, in turn, would make it unlikely these single parents could afford to

Most said they would limit benefits to five years.

remain in school or job training — their routes out of poverty.

A full 60 percent of the single mothers said they would accept a government limit of five years on the total time a family could receive welfare.

But they warned that this limit would financially destroy their families unless it were accompanied by

career training, health care support and some housing assistance, as well as hardship exceptions for families who demonstrate they did not make it off welfare despite attempts to get work. Otherwise, an absolute time limit would lead, several mothers said, to "starvation."

On the question of welfare for unmarried mothers under 18, 32 percent of the single moms said they supported ending it. The women made it clear: the young poor must recognize that welfare is an insecure security blanket and government must understand its programs will have to change.

"I hated, hated welfare," said Elizabeth, 37, the mother of a teen-age son. "But it took me nine years to get off permanently. The job training I got was a few weeks. Then you go to an interview, but what they trained you for is no good. Or they won't hire you because you still got no experience. If government had real job training, then we're talking."

Today's welfare reformers — whatever their motivation — should understand that they could have the support of this critically important group of striving poor.

These families are a significant part of the nation's 2.9 million one-parent households struggling with poverty as they raise their 8.6 million children. But the zeal to cut government costs, unless kept in balance, could, instead of producing the needed welfare overhaul, spell disaster for a group whose fate is crucial for the America's social as well as economic health. □

THE PRESIDENT HAS SEEN
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TRENDLINES
Debt and a Difficult Balancing Act

The Economy's Deficit-Cutting May Have Run Its Course

By John M. Berry
Washington Post Staff Writer

Rummaging through the Congressional Budget Office's midsummer update of its estimates for the federal budget provides some interesting perspectives on the struggle to balance the budget early in the next century.

The deficit has dropped from a record \$290 billion in fiscal 1992 to \$161 billion for the year ending next month. More than anything else, that rapid decline is the result of a strong economic expansion that sharply raised individual and business incomes and federal tax receipts. A healthier economy also has meant lower spending for some programs, such as unemployment benefits.

At the same time, spending increases over the past several

years have been unusually restrained. For example, since 1991 spending has gone up an average of only 3.5 percent a year, and the CBO expects a 3.9 percent increase for the current year.

But with the economy operating now at what many economists regard as roughly full employment, such large gains for the economy and large reductions in the deficit have run their course. In other words, the size of the government's budget "problem" is in the neighborhood of \$161 billion.

As the chart at the right shows, the deficit this year will be equal to 2.3 percent of the nation's gross domestic product, the lowest it has been since 1979.

Relative to the size of the economy, the worst deficit year since World War II was 1983, when

See TRENDLINES, B10, Col. 1

TRENDLINES, From B9

it reached 6.3 percent of GDP. The red ink soared that year as a result of the severe 1981-82 recession, large tax cuts proposed by President Ronald Reagan and rapid increases in defense spending.

But even as the economy recovered from that slump, continued large spending increases both for defense and other programs kept the deficit at or above 5 percent of GDP for the following three years.

In a sense, today's budget problem is related significantly to the decisions of the 1980s, when the government chose not to try to bring down the deficit as the economy recovered. One consequence of that choice was the swift increase in the national debt and a mounting bill for interest on it. For example, in 1985 alone, net interest payments jumped more than 16 percent, according to past budget figures from the Office of Management and Budget.

By 1989, net interest payments

were up to \$169 billion, about \$16 billion more than the deficit. In other words, if it weren't for the outstanding debt, the budget would have been in surplus that year rather than running a deficit of 2.9 percent of GDP, as shown on the chart.

Of course, the improvement in the deficit stalled at that point, largely as a result of the 1990-91 recession. An effort by President George Bush and congressional Democrats to bring down future deficits was later denounced by Bush because it included higher taxes.

The CBO update shows that net interest payments and the deficit were just about equal last year at \$203 billion. This year, net interest payments will be about \$233 billion while the deficit drops to \$161 billion.

Interestingly, had deficits been held down in the 1980s and early 1990s so that the debt held by the public remained equal to about 27 percent of current-dollar GDP rather than soaring to almost 52 percent, today's budget outlook would be vastly different. There still would have been deficits and the debt would have continued to grow, but it would be only about one-third of its actual \$3.6 trillion size.

A debt one-third that size would mean interest payments one-third as large. Instead of \$233 billion, the Treasury would be paying out a net of about \$77 billion. The difference in those two figures—\$156 billion—is almost equal to CBO's estimate for this year's deficit.

In other words, this year's budget would just about be balanced, and the \$161 billion the Treasury will borrow to finance the deficit would be available for private investment. Furthermore, the nation would not be in the position of importing nearly that much foreign capital to help finance U.S. investment, and U.S. trade with the rest of the world likely would be close to balanced instead of deeply in deficit.

Of course, such assertions assume that the Federal Reserve could have successfully offset the restraining effect of lower federal spending over the past 15 years so that the economy would have grown roughly as much as it has since 1980. But many members of Congress pushing now to balance the budget argue—and many economists back them up—that reducing the deficit gradually over the next seven years will not harm the economy even in the short run. In fact, some claim such an action will generate more growth than would otherwise occur.

Even if the budget history of the past 15 years had been so different, there still would be plenty of pressure to spend more money in the future. Medical care costs likely would still be going up much faster than inflation, for example.

However, if the budget were close to balanced now, then CBO would not be projecting that the net interest bill would be passing the \$300 billion mark five years from now, so that there would be less upward pressure on spending.

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THE PRESIDENT HAS SEEN

9/11/95

By Peter J. Sepp

Are Republicans Serious About Cutting Fat?

THE NEW YORK TIMES OP-ED WEDNESDAY, AUGUST 30, 1995

WASHINGTON

Members of the new Republican Congress promised taxpayers that they would repaint the landscape of the budget. Although the canvas isn't finished, they have already missed a few spots. When members return to Washington next week, they need to take a second look.

If lawmakers cannot tackle some obvious examples of bloated government, they will lack the credibility to

They have a second chance to cut pork and perks.

confront urgent reforms in Medicare, Social Security and welfare. They will also have a hard time convincing the public that Congress is indeed under new and better management.

For example, the House flinched at cutting many forms of corporate welfare and even effectively increased financing by 23 percent for the Agriculture Department's market promotion program, which since 1986 has spent \$1.25 billion to promote products like Chicken McNuggets and Friskies cat food abroad. One independent study found that \$100 million in funds even went to foreign-owned companies to advertise their products "overseas."

In the previous Congress, Representative Dick Armey, now the majority leader, led the charge against this program. But this year, less than half of the Republican class voted for an amendment to terminate it.

Congress may never muster the will to shut down obsolete military sites if it doesn't extend the life of the Defense Base Closure and Realignment Commission, which has saved taxpayers \$4.2 billion annually. According to the Heritage Foundation, although military budgets declined

Peter J. Sepp is director of policy analysis for the National Taxpayers Union, a nonpartisan group.

about 35 percent and personnel levels dropped by 25 percent from 1985 to 1994, "base infrastructure" costs fell by only 15 percent.

Then there is NASA's Space Station Freedom, which has been called an orbiting pork barrel. NASA's original 1984 cost estimate of \$8 billion has skyrocketed to more than \$93 billion, in spite of the last Congress's approval of a stripped-down design. Yet the House rejected, by 155 votes, an amendment to cancel the project.

Pork busters also shouldn't continue protecting loan programs that too often serve the politically favored. That's why the House budget resolution this summer called for termination of the Commerce Department's misnamed Economic Development Administration, which is supposed to help "promising" businesses.

In fact, the agency has loan default rates of up to 40 percent. Brian Kelly of The Washington Post described it as "a little piggy bank for weird projects," among them a water park in Beaumont, Tex. Yet,

when the Commerce Department's appropriations bill came up for debate a few weeks ago, money for the agency was sustained.

Federal subsidies still underwrite everything from telephone service for wealthy vacation homes in New Hampshire (the Universal Services Fund) to electricity for Las Vegas's neon lights (the Western Area Power Administration).

New Yorkers who are tired of paying taxes to help Georgia peanut farmers should remember that Georgians are just as tired of underwriting the cost of the Big Apple's subways. But when Representative Nick Smith of Michigan offered an amendment to end grants for any new mass transit projects (worth \$666 million), House members let the budget-cutting express leave the station without them.

Many Congressmen elected last year campaigned to get rid of the

valuable perks of incumbency. But this year Congress has been reluctant to scrap these privileges.

Although this year's individual allowances for taxpayer-financed "franked" mailings have been slashed by one-third to about \$100,000, the House endorsed higher appropriations for 1996, an election year. Representative Mike Castle of Delaware wasn't even permitted to offer his plan to match the Senate's stricter limits on franking.

The taxpayer-subsidized pension plan that allowed former Congressmen like Tom Foley to collect \$123,000 this year remains intact. Mr. Foley's cost-of-living adjustment could exceed \$3,500 next year — far more than any Social Security recipients in his former district can expect.

A prudent plan to shift members into a new contributory 401(k)-type plan is languishing in committee.

Neither chamber, moreover, seems willing to enforce a law already on the books requiring that members not be paid for unexcused absences. It is increasingly unlikely that anything will be done about this as we enter another election cycle.

These are but a few of the dubious expenditures floating in Washington's red ink. But they all add up. Many Republicans cited these examples and others in their campaigns. Do they think the voters won't notice if nothing is done about them? □

THE PRESIDENT HAS SEEN
9/11/95

VP

On Pentagon's Super Radar Screen: Drug Flights

THE PRESIDENT HAS ST
9/11/95

By Bradley Graham
Washington Post Staff Writer

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CHESAPEAKE, Va.—Radar operators at the Navy's long-range tracking facility here spotted the small twin-engine Cessna soon after it left Colombia one night last April, and watched it head northwest across the Caribbean on a suspicious course.

Mexican police, notified by American authorities that the aircraft appeared to be heading to the Yucatan Peninsula, were in position to witness the drop of 900 kilograms of cocaine, seize the shipment and make several arrests. The Cessna, unaware it had been discovered, was allowed to fly back to Colombia, still under the gaze of naval trackers who helped guide Colombian officials to the plane's jungle landing strip.

The episode highlights a new use for a military radar system intended originally to monitor Soviet bombers. With Moscow, no longer the worry it once was, the Pentagon thinks it has found a way of salvaging this elaborate multimillion-dollar surveillance network by targeting drug-trafficking planes instead.

As overall U.S. military spending on counter-drug action declines, defense officials say the powerful spying system installed here in the Virginia countryside is a more cost-effective way of keeping tabs on drug-ferrying planes than the network of regional ground stations and balloons on which the United States has relied.

But some law enforcement officials, noting several operational problems with the

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new system and a decline in air trafficking that began before the system's introduction, are not yet sure the super radar is worth the expense.

At a set-up cost of about \$14 million a copy and annual operating expenses per facility of \$12 million to \$14 million, the system is not cheap. Yet even with such high-tech wizardry, drug enforcement authorities end up seizing relatively few planes.

In a typical three-month period, radar detects about 20,000 aircraft traversing the Caribbean, according to figures supplied by the U.S. Atlantic Command. Only 45 of those flights are determined to be "suspect," and only about half are interdicted.

The tiny percentage of captures is a frustration for many involved in the counter-drug effort, including Cmdr. Bob Hillery, who heads Fleet Surveillance Support Command, which operates the new system.

"Surveillance is only part of the problem," he said in an interview. "There also aren't enough players to make the arrests."

The Defense Department is establishing a tracking installation in Texas similar to the one here, and has plans for a third in Puerto Rico (notwithstanding local political opposition to the project). When fully operational in a few years, the three stations should be able to monitor virtually all the planes in the air over the Caribbean and the northern half of South America, where most of the world's cocaine originates.

Using an altogether different kind of technology than conventional line-of-sight microwave radar, the system here works by bouncing signals off the ionosphere, the outer region of the atmosphere that begins about 30 miles above Earth. The greatest advantage of such a "look-down" approach is to eliminate hiding places for drug-ferrying planes, officials say.

Trafficers have been able to elude microwave radar by flying low or behind hills or by maneuvering between closely spaced islands. Such actions do not escape detection under the new system.

But relying on the unstable ionosphere as a kind of radar backboard presents problems. Most important, radar coverage can vary significantly with the time of day, time of year, sunspot activity and other conditions. The new tracking system requires constant adjustment by operators who scan continuously for the most advantageous sections of the ionosphere and the clearest radio frequencies.

"A major sunspot storm and we'll have difficulty tracking," said Petty Officer Jon Seward, among the most experienced operators here. "Sometimes a plane we're following will fly into a black hole in our coverage, and we'll try everything we can but won't be able to find it again."

The Navy originally planned to build 12 such radar facilities to keep its battleships apprised of the location of Soviet aircraft. The system was designed to be mobile—hence its name, Relocatable Over-the-Horizon Radar, or ROTH—although moving one of

these installations is no easy matter. Its hundreds of antennas and miles of wiring require months to unpack and assemble.

The new use was conceived several years ago. While testing a prototype in a remote cornfield about 40 miles south of Norfolk, operators noticed that large commercial aircraft were not the only things the radar was seeing crisscrossing the Caribbean.

"We looked south and saw lots of things flying around," Hillery said. "With the Cold War ending, the Pentagon said, 'Why don't we just leave it where it is and make it part of the counter-drug effort.'"

The system consists of two installations about 70 miles apart: a transmission site in New Kent, Va., consisting of 32 antennas laced with wires; and a receiver site here, 372 pairs of 19-foot tall aluminum poles arranged in two parallel rows stretching 1½ miles. Operators sit in a windowless room at the receiver site staring at dozens of consoles showing color-coded dots, lines and complex patterns.

In general, the Clinton administration has shifted emphasis from interdiction of cocaine shipments toward assistance to South American countries where the narcotic is produced. But a variety of U.S. military assets remain engaged in identifying and tailing aircraft that travel the Caribbean.

U.S. counter-drug authorities draw intelligence from microwave radar systems at ground-based stations throughout the Caribbean, Central America and northern coast of South America. They also employ aerostats, or radar balloons, that float at about 15,000 feet above the surface and are tethered to locations across the southern United States and the Bahamas. Additionally, some P-3 patrol aircraft and old Navy intelligence-gathering

ships have been refitted with special radars to assist in monitoring drug flights.

But ROTH's 24-hour, all-weather capability, 2,000-mile range and wide coverage area add up to a marked advance over anything the military has used before.

"It's the most significant technological upgrade to fight drug operations," said Capt. Bruce Cavey, chief of counter-drug operations for the Atlantic Command.

An outside expert hired by the Pentagon to assess the system also has given ROTH high marks. "It has improved our overall performance in watching traffickers," said Barry Crane of the Institute of Defense Analyses. "It has allowed us to detect more difficult targets and to monitor better where the aircraft are going."

Not everyone, however, is ready to declare salvaging ROTH worth the cost. Officials at the Drug Enforcement Administration, for instance, are withholding final judgment until some of the system's limitations are corrected.

"I'm not completely as sanguine as the Defense Department is," said Doug Wankel, DEA's chief of operations. "But I'm comfortable with the direction they're going in."

Because ROTH was designed initially to track big, fast Soviet warplanes—not small, slow, low-flying aircraft—it has some shortcomings as a counter-drug weapon. For example, it lacks the pinpoint accuracy of microwave radar, providing only the approximate location of a target, give or take 5 miles to 20 miles. It also is unable to determine an aircraft's altitude.

Moreover, the system is cumbersome to operate and unable to provide a quick fix on a suspected trafficking plane, in contrast to the instant identification provided by microwave stations. Additionally, ROTH's coverage area varies significantly in range and clarity depending on the state of the ionosphere.

Planned improvements in the system's computer software should remedy some of these deficiencies, military officials say. But for now, ROTH can hardly do the tracking job alone; it must rely on jet fighters and surveillance aircraft to shadow suspected targets and determine their type, exact location, altitude and other details.

Pentagon officials say the system is necessary to maintain a deterrent against air trafficking even though U.S. officials in 1992 began observing smugglers were shifting from aircraft to ships, containers and other means to reduce the risks of detection. ROTH started operating in April 1993.

The Defense Department is so convinced of ROTH's superiority over conventional monitoring methods that it has cut the number of ground radar stations from 16 to 8, and aerostats from 14 to 11, to help pay for the new radar. Given the precipitous drop in defense spending on counter-drug efforts in the Caribbean—from \$405 million in 1993 to \$190 million in the planned 1996 budget—ROTH stands to consume a large share of the total.

Defense officials say the full extent of ROTH's capabilities has yet to be explored. They suggest the sky is no limit for the erstwhile Cold War system and point to its ability to detect some ship and train movements.

"Once you tweak this further, could you use it to track other things? The answer is yes," Hillery said.

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