THE WHITE HOUSE

WASHINGTON

December 30, 1995

THE PRESIDENT HAS SEEN

1-2-96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Bosnia public opinion poll.** Via Tony. First-ever, USIA-commissioned survey in Bosnia. Re: the accords -- Bosnian Serbs, Croats in Herzegovina and Bosnian Muslims in Sarajevo support the Dayton accords by a 3-1 margin, but most do not support it strongly. Twenty percent of Bosnian Serbs and Croats and 10% of Bosnian Muslims in Sarajevo believe they should "continue fighting for a just conclusion of the war regardless of the Accords." Bosnian Serbs are most concerned that fighting will start again soon. Re: troops -- 80% of Bosnian Croats and 97% of Bosnian Muslims in Sarajevo support IFOR and American troop participation, but most Serbs oppose both. Real victims -- Bosnian Serbs believe they were the greatest victims of the war, and the other two groups think the Bosnian Muslims were the greatest victims while the Bosnian Serbs were the aggressors. Serb leaders -- Bosnian Serbs give 86% positive rating to Ratko Mladic; 54% to Milosevic; 52% to Karadzic.

(B) **Immigration chart.** Via Rahm. Compares the Administration position with current House and Senate bills on a range of immigration issues. Rahm says there are "more similarities than differences" and that the information can be used to rebut charges against our immigration policy, and negate it as a campaign issue.

(C) **Reno interim report on vulnerability of federal facilities and critical national infrastructure.** *Federal Facilities* -- Pursuant to your June 1995 Directive, Reno chairs a Cabinet Committee reviewing the vulnerability of federal facilities to terrorist attack. This is an interim report on the Committee's work. The U.S. Marshals Service completed its Vulnerability Assessment of Federal Facilities on June 28, and you directed all Executive agencies to upgrade their facilities to meet the minimum security standards recommended by the Marshals. By an October 1995 Executive Order, you created an Interagency Security Committee, headed by GSA, which is to oversee implementation of the Vulnerability Assessment, so this ISC, rather than the Cabinet Committee, will have ongoing oversight responsibility.

THE PRESIDENT HAS SEEN
1/2/96

THE WHITE HOUSE

WASHINGTON

95 DEC 16 P4:05

December 16, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL R.E.

SUBJECT: IMMIGRATION

Attached please find a comparison of the Administration's position on immigration and the House and Senate legislative packages. There are more similarities than there are differences. If used correctly, this will help dilute future charges against our immigration strategy and negate it as a campaign issue.

THE PRESIDENT HAS SEEN

1-2-96

Laura

Thought you would find this really worth reading

BC

THE PRESIDENT HAS SEEN
1-2-96

The Economist

The myth of the powerless state



OVER the past decade or so, the world economy has changed profoundly: it has become a truly global system. International trade has grown rapidly; international flows of money have grown explosively. Economic booms spread more readily from country to country, and so do recessions. Interest rates in one economy affect investment in others. Capital roams freely around the world.

Without a doubt, these changes have great implications for the ways people, firms and governments go about their business. The increasing "globalisation" of the world economy is a fact, and one that nobody can ignore. To many, however, one aspect of this change is especially important: its effect on "economic sovereignty". They claim that global integration is emasculating the modern state.

The tasks that governments have traditionally regarded as their most important jobs, it is argued, have moved beyond their reach, and thus beyond the reach of voters. Global markets are in charge. No longer able to do big things that matter, governments busy themselves with small things, best done locally or not at all. Economic integration thus explains the political malaise affecting many of the world's big democracies. It may or may not bring economic benefits but, the argument goes, it has undoubtedly enfeebled the state.

By popular demand

Support for this view comes from socialists and conservatives alike, in small countries (which you might expect to feel threatened by the outside world) and large (which you might not). In Britain, a former chancellor of the exchequer put it this way. "The plain fact is that the nation state as it has existed for nearly two centuries is being undermined . . . The ability of national governments to decide their exchange rate, interest rate, trade flows, investment and output has been savagely crippled by market forces." One of Britain's leading political commentators agrees: "[The state's] powers over the price of money . . . tax rates, industrial policy, the rate of unemployment, have been blown away." America feels shrivelled too. James Carville, who directed Bill Clinton's election campaign in 1992, said it most memorably. "I used to think that, if there was reincarnation, I wanted to come back as the president, or the pope. But now I want to be the bond market: you can intimidate everybody."

If the number of believers is any guide, these views are appealing. Yet the new orthodoxy is wrong. The world has changed, the global economy has indeed arrived: nonetheless, the emasculated state is a myth.

Start with the simplest gauge of the state's involvement in the economy—the fraction of a country's income which the government spends. Note several things. First, and most important, the share varies widely. In America, public spending is 33% of GDP; in Germany it is 49%. Look beyond the big economies and the range grows wider, from countries such as Singapore (20%) to others such as Sweden (68%). Behind these averages lie correspondingly large differences in underlying economic philosophy: in the size of the welfare state, in the extent of income redistribution through taxes, in industrial and labour-market policies, in ownership and/or regulation of natural monopolies, and so on. "Wrong" hardly does justice to the claim that market forces have pushed governments into dull conformity on economic policy; the idea is ridiculous.

Presumably, however, the trend is pushing that way, and the range is narrowing? Actually, it isn't. Again, changes in public spending provide the best overall measure. Among the big economies, the gap between the lowest and highest shares of government has broadened since 1980, from 16 percentage points to 20. But surely the pressures of integration are tending to shrink the state, even if some governments are dwindling faster than others? Again, no. Since 1980 the public-spending ratio has increased, on average, from 36% of GDP to 40%. National governments not only retain wide discretion over the extent to which they control resources, but after 15 years of accelerating integration are tending to control more, not less.

Those arguing that the economic powers of the state have been "blown away" need to think again. A first step would be to narrow their claim, and recast it as one about macroeconomic policy. If they do this, they will still be wrong, but less obviously and for different reasons.

For Europeans, the wreckage of the exchange-rate mechanism (ERM) cruelly symbolises the power of markets and the apparent impotence of governments. First in 1992 and again in 1993, the foreign-currency markets bet heavily that governments would devalue their currencies—and thereby made the prediction come true. America's policy-makers have suffered no comparable humiliation, but the financial restraints on the Clinton administration have hurt nonetheless. Mr Carville's comments were inspired by the veto that financial markets appeared to exercise over the administration's spending plans: Mr Clinton's ambitious "investment" schemes could not go ahead for fear that the budget deficit would rise and that interest rates would climb. So you might think that, when it comes to currencies and deficits, markets are indeed in command.

They are, in a sense—and so they always have been. Even in an economy where international flows of capital are small and highly regulated (as in Britain before 1979), the dilemma that confronts the monetary authorities is much the same as in Europe now. If you fix your exchange rate, you cannot retain con-

DEPARTMENT OF THE TREASURY
UNITED STATES SECRET SERVICE

THE PRESIDENT HAS SEEN
1/2/96

December 20, 1995

MEMORANDUM

TO : WILLIAM JEFFERSON CLINTON
THE PRESIDENT

FROM : LEWIS C. MERLETTI
SPECIAL AGENT IN CHARGE
PRESIDENTIAL PROTECTIVE DIVISION

SUBJECT : CASE STUDY

The United States Secret Service has been studying recent events and the historical perspectives of threats against political leaders. We have placed specific emphasis in the area of political assassinations. The assassination of Israeli Prime Minister Rabin and the numerous threats against the Office of the President has reenforced to us that the United States political process, and the required access to the people, often time conflicts with optimum security precautions.

The United States Secret Service is currently conducting a case study of people who have attacked or stalked protectees. Most attacks are directed at the Office of the President, rather than the individual. Most attackers suffer from a psychosis and fail to differentiate between the characteristics and/or the policies of the different Administrations.

The lessons learned from these case studies are invaluable. By assessing their motivation and behavior, we better understand the mind set of the potential attackers. Please find attached a condensed version of the case study, which illustrates our concerns.

Thank you for you interest in this matter.

Preventing attacks by would-be assassins

I. Introduction

The information and ideas presented here come from USSS experience and recent, careful examination of the thinking and behavior of persons who attacked, or approached with weapons, the President and other prominent public officials over the past thirty years.* (Some of these cases are well-known publicly; others did not receive public attention.)

Actual attacks on Presidents or Presidential candidates are rare. (There have been five in the last thirty years.) But we know of 38 individuals who either attacked, or came close to attacking, Presidents, Presidential candidates, or other prominent public officials **just since 1968.** And each month the Secret Service intercepts about 25 people who are seeking inappropriate personal contact with the President. We believe that some of these people, given unimpeded access to the President, might try to attack. We present this to underline the obvious: it only takes one bullet to kill or injure a President or other protectee.

Information about the thinking and actions of attackers and near-lethal approachers has direct implications for preventing attacks on presidents and other public officials, such as presidential candidates. For example, understanding what these persons saw as vulnerabilities in security permit us to make recommendations to you that we believe will decrease the risk of an attack. With the campaign beginning soon, this is a good time to have this discussion.

II. Historically, Presidential campaigns have been active periods for persons who wanted to assassinate the President or a Presidential candidate.

Some theorize that presidential campaigns are associated with times of great change, and that times of change bring forth persons who try to assassinate national leaders. Others theorize that the national attention of a campaign stimulates persons to attempt to achieve fame and notoriety through assassination.

Regardless of reasons, potential assassins of political leaders are active during presidential campaigns. The simple and inescapable fact is that presidential campaigns are times of greater vulnerability for those who are serving as, or wish to be, President.

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* The Secret Service Exceptional Case Study Project is examining the thinking and behavior of all persons known to have attacked, or approached for attack, a prominent person of public status in the U.S. since 1950.

III. During every campaign since 1968, there has been at least one person who, unknown to the USSS, was stalking the President and/or a presidential candidate with a lethal weapon.

Year	Name	Target(s)
1968	Sirhan Sirhan	**Presidential Candidate Robert Kennedy** President Lyndon Johnson Ambassador Arthur Goldberg
1972	Arthur Bremer	**Presidential Candidate George Wallace** President Richard Nixon
	Samuel Byck	**President Richard Nixon**
	Gary Corum	**Presidential Candidate George McGovern**
1976	Joseph Franklin	**Presidential Candidate Jimmy Carter**
1980	Robert Brickell	**Presidential Candidate Edward Kennedy**
	John Hinckley, Jr.	**President Jimmy Carter**
	Alphonse Amodio	**President Jimmy Carter**
1984	Robert Carlson	**Presidential Candidate Gary Hart** President Ronald Reagan
1988	Stephen Kimberling	**Presidential Candidate Michael Dukakis**
	David Russell	**Presidential Candidate George Bush** Presidential Candidate Albert Gore
	John Daughetee	**Presidential Candidate George Bush** **Presidential Candidate Michael Dukakis**
1992	Charles Hitt	**President George Bush**
	Deborah Butler	**President George Bush** Presidential Candidate Bill Clinton
	Juan Canales	**Presidential Candidate Bill Clinton**

IV. Why did these persons make attempt(s) to kill a president or a candidate?

Most people believe that only presidents or candidates who are intensely disliked, or who are crafting what are seen as unpopular policies, are targets for assassins. Many people think that a president or a candidate is relatively immune from attack if he is warmly greeted, is doing well in public opinion polls, or is perceived as a well-meaning, good person. Many assume that assassins are hopelessly deranged, physically look strange or weird, and telegraph their violent intentions. <u>These beliefs are myths</u>.

What then are the motives of attackers and near-lethal approachers?

- to achieve notoriety/attention;
- to be killed during the attack;
- to avenge perceived injustice;
- to follow orders from alien forces (delusional);

Few, if any, of the persons who attacked or tried to attack the President or a candidate during a presidential campaign had hostile feelings about their target(s). Some subjects actually admired the person they were attempting to attack:

> "I would have voted for him had I not been in jail charged with trying to kill him." (Deborah Butler)
>
> "I thought he was a sincere person who was trying to do the best for the country." (David Russell)
>
> "My efforts to shoot the President had nothing to do with his policies or my views about him. The aliens ordered me to shoot him. I had no choice." (John Daughetee)

For recent US assassins and near-assassins, neither the party, personality, program, policy, or popularity of a target has mattered.

The 38 men and women who attacked, or came close to attacking, protectees, candidates, or other prominent federal officials since 1968 dressed to look "normal." They surveilled sites in advance of a target's visit (either early in day or the previous day). They planned their attacks rationally. Their planning often reflected accurate analysis of the patterns of behavior of their target. Many attackers and near-lethal approachers expected to be killed during their attempts to injure their target.

For example, Ronald Barbour planned in 1994 to kill President Clinton while the President was jogging on the mall and get himself killed by the Secret Service. Each morning for a week, dressed casually and armed with a camera bag and a gun, Barbour walked along the mall, hoping to see the President. Though Barbour did not know which day or days the President would jog, he figured it likely that the President would jog on the Mall sometime during a seven-day period.

John Daughetee spent much of May 1989 in the Washington DC area. On over a dozen evenings he drove to restaurants which had been reported by the media to be favorites of President Bush. Daughetee parked his car where he could see an arriving motorcade. His plan was to observe the President enter a restaurant, then shoot the President as he departed after dinner.

V. Case Examples of near-lethal approachers*

1) **David Russell – primary target: Vice President and Presidential Candidate George Bush**
2) **Deborah Butler – primary target: President George Bush**
3) **John Daughetee – primary target: President George Bush**
4) **Juan Canales – primary target: Presidential Candidate Bill Clinton**
5) **Ronald Barbour – primary target: President Bill Clinton**

- **each was organized; each prepared for and planned his or her attack;**
- **only one of these five (JD) was obviously mentally ill;**
- **each expected to die, hoped to be killed, or thought they would be sent to prison for a long time;**

  Juan Canales planned to charge the podium where Presidential Candidate Clinton was speaking in order to point a gun at the candidate and be killed by the Secret Service.

- **each looked "normal" at the time of the near-lethal approach;**

  John Daughetee bought a suit, new shoes, and a trench coat in order to look like a Secret Service Agent.

  David Russell dressed "to look normal, like anybody else at the rally."

- **these potential assassins (and others) viewed departure areas as the best places to attack;**

  David Russell believed that his best chance to kill Vice President (and Presidential Candidate Bush) was when he left a rally in a hotel to get into his car.

  Deborah Butler came early to the site of a Presidential rally to examine whether, armed with a gun, she could get close to the President's arrival and departure areas.

- **these potential assassins and others studied the behavior of their targets: did the target go to crowds when called? did the target walk or jog in public places? did the target make a habit of greeting unknown well-wishers?**

  Ronald Barbour knew that President Clinton liked to jog regularly on the Mall.

  John Daughetee read a list of President Bush's favorite restaurants in USA Today.

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* Video excerpts from Exceptional Case Study Project interviews with these subjects are available for presentation.

David Russell knew the Vice President Bush (and other candidates) liked to leave the podium after a speech to shake hands with those in the front rows of the crowd.

- **in four of these five cases, the Secret Service knew nothing about these persons until after they showed up at a rally site.**

VI. Observations and Implications for protection:

1) **would-be attackers see *departure sites and times* as points of greatest vulnerability**

   implications: staff need to be briefed about and understand the importance of security in departure areas;

   "hanging around" after the conclusion of an event in an unsecured environment gives a potential assassin opportunities to attack.

2) **would-be attackers observe a target's *patterns of behavior***

   implications: a protectee's patterns of predictable behavior that might permit inappropriate access by others can be dangerous.

   Examples include:

   - moving toward the call of someone in an unscreened crowd;
   - walking or jogging in the same public place in a city one has visited;
   - pausing to shake hands in an open area because a group seems friendly;
   - becoming known to frequent a certain site whenever visiting a particular city (e.g., a restaurant, a store, a park).

3) **would-be attackers showed up early on the day of an event, or surveilled the site at least a day before the event**

   implications: staff doing advances should be alert to persons who arrive especially early at a site or appear to be particularly interested in where the protectee is planning to be.

4) **would-be attackers report being frustrated and foiled by metal detectors. They looked for opportunities to get close to a target while carrying a weapon.**

   implications: a protectee's mingling with unscreened crowds increases the risk of attack.

5) **would-be attackers usually have looked to attack their targets at a temporary site (a speech site or campaign event site rather than the target's home or office). However, a significant number of near-assassins have visited the White House in preparing or planning for an attack.**

VII. USSS Requests:

a) educate staff about thinking and behaviors of would-be attackers:

periodic briefing of permanent advance staff;

briefing of temporary trip staff;

discussions with senior staff;

discussions with first lady and her staff;

b) agreement about protective strategies for motorcade/bus-motorcade arrival and departure areas;

c) strong message from Chief of Staff about importance of security;

d) .....

Case Examples

David Russell

On September 27, 1988, David Russell attended a campaign rally for Vice President (and Presidential Candidate) Bush in Owensboro, Kentucky, Russell's home town. Russell carried a loaded .45 semi-automatic handgun tucked into his belt. He also carried a camera.

At the rally, Russell took pictures of the Vice President, which he sent to President Reagan two days later, together with a letter threatening to kill VP Bush. This letter was followed by another about one week later. After an intensive investigation, Russell was arrested on October 17, 1988. He pled guilty and was sentenced to a 22-month sentence in the BoP, which he served at FCI Butner.

Several weeks after being discharged from his sentence, in July, 1990, Russell sent approximately 400 threat letters to the White House. He was again arrested, and this time sent to a state mental hospital. On October 10, 1990, while on a ten-day pass from the hospital, he appeared at the office of his Federal Probation Officer at the U.S. Courthouse in Owensboro. He pointed a loaded gun at the Probation Officer and said he was going to kill him. Other security personnel interrupted this attack, with the gun discharging into the ceiling. Russell was subsequently convicted of assaulting a federal officer and sentenced to the Federal Bureau of Prisons.

John Daughetee

On April 17, 1989, John Spencer Daughetee attempted to get close enough to President Bush at a rally at Hamtramck, Michigan, to shoot him. Mr. Daughetee, who bought new clothes in order to look like a Secret Service Agent, was armed with a .380 handgun, which he had practiced shooting. He was unable to get close enough to the President to fire a shot.

Since Summer, 1988, Mr. Daughetee had been traveling across the country, responding to voices that ordered him to kill the President. He robbed banks to support his travels. Investigation suggested that Mr. Daughetee had driven more than 60,000 miles in his effort to kill the President. Included in his travels was a period of time when Mr. Daughetee lived in the Washington area and waited near restaurants that newspapers reported were favorites of President Bush, in the hope of being able to shoot the President. Mr. Daughetee was arrested on August 4, 1989, in Oakland, California, after robbing a bank.

Investigation revealed that Mr. Daughetee experienced voices which told him that either the Government was going to poison him or he had to kill the President. Mr. Daughetee was convicted of bank robbery charges and sentenced to the Federal Bureau of Prisons.

Deborah Butler

On 9/15/92, the Denver Field Office received a call from the Denver Office of the FBI advising that Deborah Butler was at the Lutheran Hospital Emergency Room claiming to have attempted to assassinate President Bush on 9/15/92 in Englewood, Colorado, where the President had attended an outdoor rally.

On 9/15/92, Butler was interviewed by the Denver Field Office. Butler claimed that she "came to the rally for the purpose of assassinating the President." Butler further claimed that she had gone to the Republican Party Headquarters in Denver on 9/13/92, asked for and received a ticket to the rally. Subsequently, upon arrival at the rally site, she noticed the magnetometers being set up and realized that she would not be able to get into the rally site with the .32 caliber, Iver Johnson, 5 shot revolver which she had in her possession. Butler then decided to wait on a nearby hill along the motorcade route. Butler said that as the President was leaving the rally site, via motorcade, she wanted to shoot the President but was distracted when an unknown individual started to talk to her as the motorcade passed by her. Butler claimed that as the motorcade was passing, she put her hand on the gun but a voice inside her head said: "There has to be a better way." Butler stated that she felt at the time that "killing a public figure, most likely the President, was the only way to get help." Butler claimed that she was having problems with her work, her health, and her husband, and had been contemplating killing a public figure, most likely the President, for about a month.

Subsequent investigation has verified many statements made by the subject, including her presence at the POTUS site. Additionally, written material seized from the subject indicates that the subject had a planned intention to attempt to assassinate the President." (USSS report, 9/18/92)

Juan Canales

On September 29, 1992, Mr. Canales went to a rally for Candidate Clinton which was held in Clinton, Maryland, the town in which Canales lived. He carried an unloaded gun to the rally. A Secret Service agent thought that

there was something odd about Mr. Canales and stood near him as Governor Clinton was leaving the rally.

Several days later, Mr. Canales told a psychiatrist at the Veteran's Administration Outpatient facility he visited that he had gone to the rally, with the intention of charging the candidate with his gun. He said that he hoped and expected that he would be killed by Secret Service agents. Canales had no history of interest in political candidates. He indicated that if he were killed in this manner, his death might bring attention to the concerns of Vietnam veterans.

Ronald Barbour

From Federal Pre-Sentence Report of August 1, 1994:

"According to Barbour, he attempted to commit suicide twice at his Orlando apartment on January 11, 1994. On the first attempt with a handgun, he didn't have a round in the chamber. During the second attempt, Barbour was unable to make the weapon fire due to his extreme intoxication and not being able to hold the pistol grip safety properly while pointing the gun at his head. Barbour explained that he became frustrated, threw the pistol and some clothing in his vehicle and began driving toward Huntington, West Virginia, The defendant's plan was to go to the grave site of his grandparents and commit suicide while standing over the grave. After missing his exit off the highway, Barbour stated that he decided to continue to the Washington, D.C. area to assassinate President Clinton. The defendant stated that he checked in to the Mt. Vee Motel in Alexandria, Virginia where he stayed until January 17, 1994. Barbour admitted making daytime trips to the mall area in the District of Columbia where the President jogs. His plan was to assassinate the President, either while he was leaving the White House to jog or while the President jogged in the mall area. After making at least six trips to the mall area to carry out this plan, Barbour learned that the President was in Europe. The defendant reported that he did not want anyone other than the President to get hurt, and he expected the Secret Service to kill him during the attempt....

The defendant advised that two additional motives were to embarrass the Administration and to get more insurance money for his family through the agent-induced suicide, as opposed to taking his own life. Barbour recalled imagining the Washington newspaper with the following headline, "Vietnam War Time Vet Vs. Clinton." According to the defendant, he transported 50 hollow point and 50 full metal jacket rounds to the District of Columbia and that he never had any intention of returning to Florida.

In response to specific questions regarding his trip to the Washington, D.C. area, Barbour provided the following details. He made daily trips by car to the District of Columbia, leaving his motel at 9:00 a.m. and staying in the mall area until 4:00 or 5:00 p.m. Barbour looked for television crews because he was told that the press were always in a good position to get a photo, and he felt he could utilize their stakeout position. According to the defendant, he drank beer for five days in Washington, and he mainly stayed in his vehicle during the day due to the cold weather. On several different occasions, Barbour walked completely around the White House complex, but he never saw anything. On the sixth day of his Washington trip, Barbour reportedly decreased his drinking. He stated that he became sober enough to ask himself what he was doing, and he decided to return to Florida."

Sirhan B. Sirhan

On June 4, 1968, shortly before midnight, after Senator Robert F. Kennedy had won the California Democratic Primary election, he entered the Embassy Room of the Ambassador Hotel in Los Angeles to speak to the crowd of 1,800 persons who had gathered to celebrate his victory. After Senator Kennedy finished speaking, he was led through a crowd to the service pantry. In the pantry, Kennedy stopped to shake hands with some of the kitchen help:

"Out of the corner of her eye, Lisa Lynn Urso noticed that a slight young man in front of her, dressed in blue or beige, was reaching across his body with his right hand. Subconsciously, she thought, "he was getting ready to shake hands with Kennedy." But when he continued the motion, she said to herself, "He's reaching for a gun." She saw him bring his arm back out in front of him and upward and he took a slight step forward.

Juan Romero noticed someone to his left, smiling and reaching a hand toward Kennedy. There was a gun in that hand and it was "approximately one yard from Senator Kennedy's head."

Lisa Lynn Urso saw no gun–just "flames coming from the tip of his hand."...Edward Minasian, who was on Kennedy's right and a little ahead of Karl Uecker, saw a flash and heard two shots. Then Uecker leaped on the man with the gun. "I immediately grabbed the man's gun hand," said Uecker, "and pushed him onto the steam table. During this time he continued to fire the gun."...It was 12:15 A.M., June 5, 1968. About 24 hours later, at 1:44 A.M. on June 6, Robert Kennedy died.

Sirhan Bishara Sirhan was apprehended moments after he shot Senator Kennedy. Sirhan, a Palestinian who had immigrated with his family to the United States in 1957, was convicted of murder and ultimately sentenced to life in prison.—from **"R.F.K. Must Die!"** by Robert B. Kaiser

Arthur Bremer

At approximately 4 pm, on May 15, 1972, Arthur H. Bremer fired five shots at Presidential Candidate George Wallace after Wallace finished speaking from a mobile stage at a campaign event in Laurel, Maryland, and walked into the crowd to shake hands. Bremer was three or four rows back from the rope barrier before he started shooting.

Bremer had traveled to Ottawa, Canada, several months earlier, with the intention of shooting President Nixon. Unable, because of security, to get

close enough to the President to attempt an attack, Bremer shifted his target to Governor Wallace. He traveled in his car from Wisconsin to Maryland to attack the Governor. Bremer was observed at at least one rally earlier on May 15, suggesting that he was following Governor Wallace that day.

Bremer was convicted of attempted murder and sentenced to life in prison in Maryland. At his sentencing on 8/4/72, Bremer noted that the prosecutor had said "that society needs protection from someone like me." Bremer added, "Looking back on my life, I would have liked it if society had protected me from myself."

Gary Corum

"SA Shriver, ID, McGovern detail, advised at 4:35 EDT, Senator McGovern had just arrived at the University of Minnesota. At 2:45 local time, approximately 30 minutes prior to the expected arrival of Senator McGovern, the local police had removed the subject from the crowd at the arrival area for the Senator. The subject is currently in custody at Hennepin County Jail in Minneapolis, Minnesota. The subject had in his possession a large bottle of gasoline with a wick, commonly called a molotov cocktail." USSS report 10/12/72

"On October 12, 1972, at approximately 2:30 p.m., while on duty in front of Northrop Auditorium, on the University of Minnesota Campus, where approximately fourteen thousand people were gathered to hear a political address of United States Senator George McGovern, a spectator in the crowd pointed out to Patrolman Boline the defendant standing with a bottle of gasoline. Patrolman Boline saw the defendant standing in the crowd, approximately 50 feet from where Senator McGovern was going to make his address, holding a quart bottle labeled "Gold Medal Orange Soda" with a rag stuffed into the bottle, which bottle contained a liquid suspected to be gasoline..." from Minneapolis Municipal Court Records

Samuel Byck

On February 24, 1974, at 7:05 a.m., Samuel Byck tried to hijack Delta Airlines flight #523 at the Baltimore airport. Byck's plan was to force the pilot to fly the plane over the White House, then kill the pilot and dive-bomb the plane and crash it into the White House.

Byck shot a security guard with his pistol, jumped the security chain, and boarded the airplane. He took hostages, and shot the pilot and the co-pilot. The pilot later died. With police positioned outside the airplane door near the

boarding ramp, Byck shot and killed himself. When police entered the plane, they found an attache case with a can of gasoline inside it next to Byck's body.

While driving to the airport from Philadelphia the night before his attack, Byck spoke for several hours into a tape recorder, describing his plans for the attack. Byck, who had been the subject of Secret Service investigation since October, 1972, told how he had planned his attack (which he called "Operation Pandora's Box") for over a year, but had been prevented from carrying out his plan in February, 1973, because he had been committed to a mental hospital. (Secret Service agents arranged for Mr. Byck's commitment in February, 1973, because of concern about his violent writings, his travels to the White House, his history of depression, and his mental instability.)

Robert Brickell

In early November, 1979, mimeographed pages saying that Senator Edward Kennedy would die on November 7, 1979, were placed on cars parked near the Ellipse in Washington, D.C. and in Falls Church, Virginia. A similar notice was delivered to the Washington Post. The notices were signed by Robert Brickell. (Senator Kennedy was due to announce his candidacy for the Presidency on November 7.) Senator Kennedy's office reported to the Secret Service that Robert Brickell had come to the Senator's office on November 6, in an effort to see the Senator. Located and interviewed by the Secret Service, Robert Brickell said that he thought that he might be president one day, and might be president of the world. Mr. Brickell gave permission for a search of his car, which was parked near the ellipse. In the trunk, there was a .22 rifle with a scope and 200 rounds of ammunition. In a search of Mr. Brickell's home, Agents found clippings about the assassination of President Kennedy and about Senator Kennedy receiving Secret Service protection. Agents protecting Senator Kennedy's home reported that someone driving a car that was similar to Brickell's came near the Kennedy home and made a noise similar to that made by a .22 rifle.

Joseph Franklin

"At approximately 10:00 p.m. last night [5/28/80], Vernon Jordan left the Marriott Hotel in Fort Wayne, Indiana, following a speaking engagement, and went to the home of Martha Coleman who is secretary of the Fort Wayne Urban League. At approximately 2:00 a.m. this morning, Jordan and Ms. Coleman drove back to the Marriott Hotel. Enroute to that location a late model, dark car with three white males pulled alongside their vehicle and the

occupants made some racial comments regard mixed dating (Ms. Coleman is white). This vehicle then pulled away and was not seen again.

Upon arriving at the Marriott Hotel, Jordan exited the vehicle and was walking around the rear when Ms. Coleman heard two loud noises. Jordan then fell to the ground and yelled, "I'm shot." Ms. Coleman then ran into the hotel to seek assistance." from USSS Incident Report 5/29/80

The sniper attacker, Joseph Paul Franklin, became the object of a nation-wide manhunt after he was suspected of committing a number of sniper murders of inter-racial couples in several states.

Franklin was the subject of a Secret Service investigation in 1976 after he wrote a letter that threatened then-Presidential Candidate Jimmy Carter.

Franklin was ultimately arrested in Florida in October, 1980, the day before President Carter was due to visit a nearby town. He was convicted of several sniper killings and other crimes and sentenced to life in the Federal Bureau of Prisons.

John Hinckley, Jr.

"At approximately 2:25 PM on March 30, 1981, President Reagan exited the VIP entrance on the T Street side of the Washington Hilton Hotel. A crowd of approximately 100 people were on the sidewalk outside the Hilton behind a rope barricade. Approximately 30-35 feet from the VIP entrance, the Pool Press was exiting the lobby entrance of the Hilton toward the area of the follow-up car which was located adjacent to the barricade. There was no designated press area. As the President reached the limousine, shots rang out. A subject was observed pointing the weapon toward the limousine from the sidewalk immediately behind the rope barricade. He was subdued by Secret Service and Metropolitan Police Department Personnel and taken into custody."

from AAD Snow's report to Director, 3/31/81 7 AM.

President Reagan, Press Secretary Brady, SA McCarthy, and Officer Delahanty were injured.

Alphonse Amodio

In February 1979, the New York Field Office received a letter signed "Lonely and Depressed Will Strike" saying, "I'm gonna to have to shoot and kill President Carter or someone else who has power..."

In July 1981 the New York Field Offices of the Secret Service and the FBI received letters postmarked from Washington in which the writer talked of his mission to kill President Reagan whom he believed to be the devil. The letters were signed "C.A.T." Over the next fifteen months, the author of the letters, later discovered upon his arrest to be Alphonse Amodio, sent a series of letters to the USSS, the FBI, President Reagan, Senator D'Amato, Representative Kemp, the Philadelphia Daily News, and the New York Post in which he indicated that he had been traveling to approach the President, with the intent to carry out his "mission". Several of the letters contained either pictures or information that suggested that the writer had been present near sites or events that the President had attended or had been attended by other public officials.

The unknown letter-writer, "C.A.T." was made a national lookout by the Service, and an extensive investigation was undertaken to determine his identity and to apprehend him. This investigation included analyses of the subject's letters by agencies within and outside the government that were seen as possessing expertise in such analysis, and detailed work to investigate any clue to the subject's identity that might have been revealed in his letters. As part of this investigation, the Service implemented the recommendation of one of the groups that analyzed the letters that an ad be placed in a newspaper asking to call a ruse phone line. The subject responded to this ad (and subsequent ads), calling the ruse number in June, July, September, and October, 1982. The subject was arrested on 10/21/92 while talking on a pay phone in Penn Station, New York, to a Special Agent whom the subject believed to be a reporter from the New York Post.

The investigation revealed that the subject had traveled on numerous occasions within the New York area to approach President Reagan and other public officials and that the subject had traveled on at least several occasions to Washington, DC and to Philadelphia, and possibly to other cities. On many of these occasions the subject carried with him a .45 replica pistol that the subject believed to be real and that the subject believed would shoot a bullet into the President's head when fired, thereby killing the "devil."

Robert Carlson

"On 7/19/84 at 10:54 A.M., Special Agent Anthony J. Poggi, San Francisco Field Office, observed the subject standing outside the St. Francis Hotel, Post and Powell Streets, southwest corner. The subject was standing at a police line where a large crowd had gathered awaiting the departure of Gary Hart.

SA Poggi felt that the subject appeared suspicious and approached him from the rear. SA Poggi identified himself to the subject as a police officer and placed his hands on the subject's hips in order to "frisk" him. The subject then spun around and was ordered to freeze by SA Poggi. SA Poggi then frisked the subject completely including a "fanny pack" (a small carrying case strapped to the waist and carried in the small of the back). SA Poggi felt a hard object in the pack and unzipped the "fanny pack". Upon opening the pack, a long barrel automatic was visible. Seizing the gun, SA Poggi, with the assistance of other San Francisco police officers, arrested and handcuffed Carlson." USSS report 7/24/84.

Investigation of Robert Carlson suggested that there was evidence he had been interested in assassinating President Reagan. He had a long-standing and detailed interest in weapons (including Uzi's); he had practiced target shooting against a picture of President Reagan; he had strong anti-government views; he hated police and law enforcement; he had a history of being suicidal.

Carlson contested the weapons charge and ultimately fled to Mexico, London, and the Netherlands. He returned to the United States and ultimately murdered four people in California, hiding out in the woods. He apparently killed himself in March, 1988. His body was discovered in late summer 1988.

Stephen Kimberling

On September 2, 1988, at approximately 7:00 PM the defendant was arrested at the Springfield Regional Airport by the Springfield, Missouri, Police Department after attempting to board an American Eagle flight for Dallas, Texas, enroute to Los Angeles, California. The defendant had attempted to pass through the airport security x-ray machine and had a carry-on bag containing an unloaded .45 caliber Colt automatic pistol, a clip loaded with five rounds; several boxes of .45-caliber, jacketed, hollow-point cartridges, and a 7-inch hunting knife. When asked by airport security if he was aware the weapons were in his flight bag, defendant responded that he was. He then became irate when told he was under arrest and was going to be handcuffed and stated, "Fuck you. Nobody is keeping me from getting on this flight."...On September 2, 1988, defendant was interviewed by agents of the Secret Service and the Federal Bureau of Investigation...He said he was going to Los Angeles for his music business and politics which he stated, "went hand in hand."...he said he did not care for Governor Michael Dukakis at all. He said that he could not accept him as President. The Secret Service agent then asked the defendant if Michael Dukakis walked into the room or a dark alley

and the defendant had a gun, what would the defendant do. The defendant replied, "I would count to five and then I would shoot him."—from FBI investigative report

Charles Hitt

On May 13, 1992, Charles Hitt was observed making efforts to get close to the area that President Bush was due to visit at Baltimore City Hospital. Hitt had dressed to look like a hospital attendant. Hitt had a pocketknife with him at the time. Earlier that day, Hitt had tried to purchase a rifle at a pawn shop. Hitt was located several days after the May 13 event and arrested.

Hitt had come to the attention of the Secret Service in February, 1992, when he had made comments to a worker at the Traveler's Aid Society and at Senator Kennedy's office in Boston that were construed as possibly threatening. Investigation suggested that he had developed expertise with weapons, including the ability to convert semi-automatic to automatic weapons, that he had a long-standing interest in the Kennedy family, that he had been seen as suffering from delusions, and that he traveled across the country.

Further investigation after his May arrest indicated that before traveling East in the fall of 1991 from his home state of Oregon, he had told associates that he was going to Washington and that they would see him on television. Investigation also revealed that Hitt had kept a diary in which he mentioned many political figures, that he had traveled to England in an effort to see Princess Diana, and that he had visited a number of gun stores to inquire about purchasing weapons.

Balkans Bony / Savvy

Seasons in Hell:
Understanding Bosnia's War

by Ed Vulliamy
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Chapter One

What is Bosnia-Herzegovina?

Irfan Ljubljankić is a composer of music and a surgeon at the hospital in Bihać, a town surrounded and besieged by Serbian guns since April 1992, the beginning of the Bosnian war. He is a restrained man, now treating men and women ripped open by shrapnel and children caught by snipers' bullets, and he describes his country thus: 'Bosnia has always been the home of heretics, for centuries. Now, by wishing something simple like our own independence, and to live with each other without persecution, we are still heretics to many of our compatriots and heretics to you all.'

Bosnia-Herzegovina is a much-invaded, much trodden-upon country which has emerged, been submerged and re-emerged over a millennium. It has never had the national-racial identity of Serbia or Croatia, and has been variously claimed and overrun by both. Its people are southern Slavs, some of whom call themselves Croats, some Serbs, some Muslims and some just 'Bosnians'. Bosnia has always been populated by a minestrone of ethnic groups, and this has been its identity: a crossroads between east and west, and a special case in the stereotypical Balkan mess. It has a double-barrelled name, having usually been made up of two different components, Bosnia in the north and Herzegovina in the south. The medieval kindgom of Bosnia annexed the region of Hum (Herzegovina) from Serbia. The single word 'Bosnia' is a permissible shorthand for the whole country.

The territory that is now Bosnia had been variously

trampled by Illyrians, Romans and Hungarians when the first mention of 'Bosnae' appeared in a mid-tenth-century text called the *De Administrando Imperio*, according to which it was a constituent part of Serbia. By 1100, Bosnia was politically independent, the bases of state and government established under the authority of a 'Ban', or secular Duke. But the fledgling nation was engulfed by wars between Hungary and Byzantium, and a robust independent country bearing the name of Bosnia did not emerge until the assertive leadership of the 'Great Ban' Kulin, in the late twelfth century.

Already the Bosnians had set themselves curiously apart from the ethnic and religious antagonism between Catholic Rome and Orthodox Byzantium. The territory of Bosnia was the nest for a mystical heresy against both Catholicism and Orthodoxy called the Bogomil movement, founded by a Bulgarian priest of that name. 'Bogomir' means roughly 'God's Peace'. The heresy is believed to have been the first European expression of a Manichean belief traced back to Mesopotamia, which later erupted in the French city of Albi during the thirteenth century, sparking off a bloody religious war. It was an ascetic, puritanical revolt which challenged the edifice of High Christian theology with an alternative division of the universe in which God and Satan had exactly equal power. For the Bogomils, two contending sets of dynamic forces had propelled the universe since the moment of creation: God versus Devil, Spirit versus Matter, Soul versus Body, Light versus Dark. The purpose of spiritual life was to liberate soul from body, light from dark, God from matter.[1] Bogomilism rejected the crucifixion, refused to concede the holiness of the Mother of Christ, defied organised religious hierarchies and the entire liturgy with the exception of the Lord's Prayer, since it had been spoken by Jesus himself.

Like all ascetic or apocalyptic sects in pre-Protestant Europe, the Bogomil heresy became synonomous with political revolution. The preacher Bogomil exhorted Macedonian peasants

to rise under the banner of his faith against the rule of Constantinople. In Bosnia, Great Ban Kulin proclaimed himself a convert to the heresy, and Bosnians adopted it in tandem with their assertion of political independence. Both Byzantium and Rome anxiously deployed their respective Serbian, Croatian and Hungarian followers to combat such spiritual and political impudence. The papacy launched a series of Hungarian-led crusades against Ban Kulin (who recanted on his deathbed in order to avert a crusader war against his country) and his successors, who were either converted themselves, or too weak to resist the infectious appeal of popular Bogomilism.

Papal legates were despatched to Bosnia to prepare for Holy War, and the Hungarian Archbishop of Kalosca urged a crusade which would 'rouse the faithful against the infidel'. The war began in 1235, and after thirty years Hungarian overlords brought the Bosnians to heel by force of arms and by sending in columns of Dominican and Franciscan monks. But the heresy defied persecution, and in 1322, another of its followers, Stjepan II Kotromanić, was elected Ban, revived the Bosnian movement and energetically extended her frontiers once more. There followed a prosperous age, based upon the mining of precious minerals, and Stjepan crowned his son Tvrtko the 'King of Bosnia, Serbia and the Western lands' in 1353, ruler of a vast Balkan territory extending into Serbia and to the coast.

But the suffocation of the heresy by both Christian churches intensified and the Bogomils, fearing for their existence, turned to greet an approaching force which seemed both compatible with their mystical theology, and also had the potential to protect them: the Islam of the Ottoman empire, whose armies conquered Serbia in 1453 and moved into Bosnia a decade later. For fifty years, Bosnia remained a battleground between the Hungarians and Ottomans. Meanwhile, the Bogomils were quietly taking on the religion of their eastern, not western, invader.

Today's Bosnian Muslims are direct decendants of the

Bogomil heretics. The salute of the Bosnian Government Army is a hand held out to show a full palm and all five fingers splayed, taken from a motif common to carvings on Bogomil tombs which show strange figures holding out their disproportionately huge, fully open hands. The conversion to Islam was a rapid one. By the middle of the sixteenth century, half the population of Bosnia was Muslim, and all of the city of Sarajevo. As a reward for their spiritual loyalty, the Bosnian Muslims became a favoured social stratum under Ottoman rule. Apart from the relative theological ease of the passage from Bogomilism to Islam, there were more worldly incentives to convert, like exemption from the special '*dzizja*' tax imposed on Christians.

The Ottoman empire was a centralised institution; the Sultan himself owned vast estates and in theory all the lands under his domain. The converted Bosnians inserted themselves within this disciplined feudalism as landowners (strictly speaking, land managers), bureaucratic administrators and merchants. They built wondrous mosques, libraries and schools, they kept detailed records of demography, property ownership and the affairs of state, and were sent to manage Turkish interests in Hungary as the empire's frontiers expanded. The Balkan Christians, Serbian Orthodox and Croatian Catholic, were generally left to worship freely provided they fulfilled the onerous financial obligations to their overlords. But the Christian peasantry was nevertheless firmly under the governorship of the now Muslim Bosnian middle and upper classes, giving rise to resentments and rancour that burst forth in surges of Serbian and Croatian nationalism during the last decades of Ottoman rule, and which are pivotal to the present war. As far back as the seventeenth century, there were attacks by marauding militias of anti-Muslim brigands calling themselves the '*Hajduks*'. (Modern Croatia's leading soccer team is called '*Hajduk Split*'.)

The Serbian Orthodox church worked more easily with

the Ottomans than the Catholics did, and was even authorised to collect tithes from Catholic worshippers. The Franciscans were the main resistance to this practice and from them the tradition of militant Catholicism spread among the Croatians of Bosnia. And around 1720, the tides began to turn against the Ottoman empire, announcing the start of two centuries of revolt against the Turks, and the first persecutions of the Bosnian heretics, now the Muslims.

The revenge against Bosnia's Muslims began in the 'Great Vienna War' of 1638–99, when the Ottomans lost territories in Hungary, Slavonia and Dalmatia. Muslims from these areas withdrew back into Bosnia, where rebel Croats were preparing to welcome the armies advancing from Catholic Austria–Hungary. The Serbs were similarly sponsored by the arrival of Russia as a power on the world stage, and the Czars as champions of the Orthodox faith. The affinities of Croats and Serbs in the present partition of Bosnia have barely changed since then: Croatians still look to the Germanic axis, while Russia and the Ukraine have unashamedly backed the Serbs.

The first serious Serbian rebellions against the Turks came at the beginning of the eighteenth century. They were accompanied by attacks on 'the converts to Islam', given weight by a text of justification from the Orthodox Bishop Petar Njegoš called *The Mountain Wreath*, which has since become a cornerstone of Serbian nationalist literature. A second Serbian revolt of 1804 was based in just those areas which have witnessed savage violence in the present war: the Bosnian 'Krajina' or 'military frontier' around Banja Luka, and the Drina valley, Bosnia's present border with Serbia. The rebellion entailed what the Serbian historian Stojan Novakovic found to be 'a general extermination of the Turks [i.e. Muslims]'.

In 1812, Sultan Mahmud II was forced by treaty to concede six administrative territories to Serbia, and in 1830 the Sultan declared Serbia a principality within the empire. Achieved largely under Russian patronage, the

autonomous Serbian nation, in vassal form, was re-born. There followed an expulsion of Muslims from Belgrade and a migration of Balkan Muslims back into Bosnia. The now besieged Ottoman authorities were obliged to bring Serbs into the administrative and commercial life of Bosnia, and the ludicrous 'Christian Tax' was abolished. But the concessions were insufficient to douse the now ubiquitous Christian revolts across the empire.

By the end of the nineteenth century the Balkans were the cockpit of a wider crisis as Russia and Austria led Europe into a struggle for the power vacuum left by the ailing Turkish empire, a tumult which A.J.P. Taylor baptised 'the Great Eastern Crisis,' and which led ultimately to the outbreak of the First World War. The Austrian Hapsburgs, anxious to stop Serbia and Russia from reaping exessive gain from the imminent collapse of the empire, occupied Bosnia-Herzegovina in 1878 and annexed it thirty years later. Austria overcame Muslim and Serbian resistance, and was able to steal a march on the Croats, whose own Slav nationalism Vienna was anxious to curb, but also to deploy in their own's interests. Herzegovinian Croats had been instrumental in the most turbulent anti-Turkish rebellions around Mostar. The Hapsburg occupation precipitated another migration of Muslims, this time out of Bosnia, to Turkey, America and the mainly Muslim Sandzak region of Serbia.

Something resembling modern political and economic activity evolved in Bosnia under Hapsburg tutelage, but each religious group formed its own political parties, the Muslim Progressive party, the Serbian National Organisation and the Croat National Community – ancestors of the parties which steered the newborn republic of 1991 headlong into war. The only non-religious political grouping were the social democrats, who later became the communists.

The freshly defiant Serbs were now fighting on all fronts: against Austrians to the west, and in alliance with Greece

against Bulgarians to the east. Within four years of Austria's annexation of Bosnia, the Balkans were ablaze with violence, and the first Balkan War erupted in 1912, bringing the world to the edge of the Great War with the infamous murder in 1914 of the Austrian Archduke Ferdinand at Sarajevo. The assassin was a freelance Serbian nationalist, Gavrilo Princip.

Out of the cyclone of the First World War and the Hapsburgs' defeat, the first unified Yugoslavia was forged: the 'Kingdom of Serbs, Croats and Slovenes', under a Serbian King and Serbian supremacy. The Bosnians' status was clear from the title: they did not exist. The loyal Ottoman province was now the kingdom's leper, the Muslims disgraced. The new Yugoslavia was divided into administrative districts and Bosnia dismembered between three of them, so that Muslims would be a minority in each. A wave of violence was unleashed against Muslims in the early 1920s. Three thousand extrajudicial murders were chronicled in 1924 in eastern Herzegovina alone, 600 of them during the massacre of two villages, Šahovići and Pavino Polje. But more methodical and far-reaching changes underpinned this violence during the inter-war years: a series of land reforms enacted by the Serbian royal authorities.

The Austrians had introduced measures to break up feudalism at the end of the nineteenth century, creating a partially independent peasantry. A detailed land census of 1910 paints an enlightening portrait of Bosnia: of 10,463 landowners with serfs, 9,537 were Muslims, 633 were Orthodox and 267 were Catholics. Among the new, so-called 'free peasants', 77,518 were Muslim, 35,414 were Orthodox and 22,916 were Catholic. Among retained serfs, there were 3,653 Muslims, 58,895 Orthodox and 17,116 Catholic. The social landscape is clear: a Muslim landowning class employing non-Muslim serfs, with Muslim peasants tending to take advantage of the Austrian scheme for 'voluntary redemption' from serfdom, while Serbs stayed

within the medieval structure. The purpose of the reforms was to break that pattern and transfer landownership away from the Muslim class which had managed the empire, to the Serbs.

The inter-war reforms now offered compensation for compulsarily purchased land marked for redistribution to the 'population of the less developed regions of Bosnia', plus some war veterans. It has been one of the more pointless labours of modern Muslim historians to try to calculate how little of the compensation was actually paid. In theory, some landowners should still have been receiving their repayments as late as 1971, by which time rather too much had happened to ensure their continuation. About twenty-five per cent of compensation was paid by 1939, and some 1,175,000 hectares of land, just over half the registered acreage, had been redistributed to 250,000 new owners. In ninety per cent of cases, the new landowners were Serbs, many from outside Bosnia.[2]

There was a reorganisation of the kingdom in 1939, the so-called Banovina plan. Under pressure from Croatian nationalists, the king agreed to a straight division of Bosnia between Serbia and a newly constituted Croatia, known as 'Banovina Croatia'. The frontiers of this particular treaty were to prove highly relevant to the present war, a model for the Serbo–Croat carve-up of the Bosnian republic born in 1992. But first time round, the Banovina borders were swept aside as Nazi Germany invaded Yugoslavia, and fascist Croatia cut a swathe through the entire country, and above all its Serbian population. One in ten Bosnian Muslims would also lose their lives, victims to both sides; the Croats too would suffer before the tide of revenge. Bosnia was again divided in 1941, between the German and Italian occupying authorities, before being submerged completely within the Nazi client regime, the Independent State of Croatia. According to the Ustasha ('Rebellion') Party at the helm of that state, Bosnians were 'Croatians of Muslim faith', thinking which has steered Croatian rhetoric ever since.

All the main players in the cruel history of the Second World War in Yugoslavia were at their most ferocious in Bosnia. The Ustasha founded its most sadistic columns among the militant nationalists of Herzegovina. The rabid command of the Serbian Royalist Chetnik militias were based in Bosnia when the German troops advanced. Tito's partisans dealt out some of their most brutal reprisals in Bosnia, and the embryonic Socialist Yugoslav Federation was founded near the now flattened central Bosnian town of Jajce in 1943.

The war in Bosnia was a miasma of contorted alliances and re-alliances along ethnic or ideological gounds. For patriotic reasons, the fascistic Serbian Chetniks fought with Tito's Partisans at first, but then more logically with the Italians against the communists, all the while inflicting their bloodiest savagery on the Muslims. In response, a Muslim Ustasha column was formed to join the Croats' war against the Chetniks. More typical, however, were the 'Muslim Brigades' within Tito's ethnically mixed partisans. Tito himself was a Croat. The mass extermination of Serbs by the Croatian Ustasha began in 1941 with that of the small Serbian middle class. By late 1942, it had reached monstrous proportions, victims for the most part taken to Jasenovac. Ironically, Serbs going to the camp were assembled at Mount Kozara, just inside Bosnia and only a few miles from the camps that the Serbs established for Muslims in the present war.

On 6 April 1945, the partisan Third Corps paraded as liberators through Sarajevo. But behind the rhetoric of proletarian unity, there was confusion over what to do with Bosnia-Herzegovina in the new republic. Various options were discussed: to incorporate it into Serbia or Croatia, partition it, or to let it stand alone. Tito ruled that a return to the pre-royalist frontiers of a federated Bosnia was the appropriate outcome, and the meeting which founded that republic in 1943 declared: 'The steadfast decision of all nations and nationalities to live firmly united in

brotherhood, unity and freedom in the Federal Republic of Bosnia-Herzegovina'. Bosnia would be 'neither Serbian, Croatian not Muslim, but Serbian, Croatian and Muslim'.

Tito was required by the labyrinth of Balkan *narod* to perform some remarkable political acrobatics. From the royalist period, he inherited three *narods* – Serbs, Croats and Slovenes – to which he added another two, Montenegrins and Macedonians. Then he endorsed a number of 'national minorities' – not *narods*, but still granted certain rights: Bosnian Muslims, Hungarians, Albanians, etc. Tito's task was made all the more difficult by the fact that the borders of the federated republics did not match those of the *narods*. There were Serbs in Croatia, whose protection alarmed the Croatians; there were the Albanians in Kosovo, whose new 'national minority' status upset the Serbs. Within Serbia, Tito created two 'autonomous provinces': Vojvodina in the north, where Hungarians were concentrated, and Albanian Kosovo. It was the text-book illustration of Abraham Lincoln's dictum that you cannot please all of the people all of the time. Titoism was a technique more than an ideology; one which managed to keep the bricks and mortar of Yugoslavia together with help from the secret police and stubborn neutrality in the Cold War. But the internal political and demographic borders were superimposed over and built on a dangerous network of seismic fault lines.

In the socialist republic of Bosnia-Herzegovina, where the three ethnic groups were intermingled, Serbs came to be over-represented in the party, and the notoriously corrupt state apparatus. The Muslim and Croat population was wary of this, and the Muslims unhappy at the fact that although they were the largest ethnic group, they were still a 'national minority'. On the other hand, Tito's federal apparatus gave them a shield against the claims of the other two *narods*. In 1964, to rectify the imbalance, Tito decared the Muslims a *narod* too. The contemptuous wrath of the Serbs and Croats, if there was any, did not yet surface.

There is a Bosnian identity and character which overrides

the differences between the *narods*. It is roguish, hospitable, set in its ways, fatalistic, suspicious and humorous. Bosnians are among the few people who make a point of laughing at themselves. The favourite Bosnian jokes are stories about two characters, Mujo and Suljo, whose adventures demonstrate the celebrated incapacity of the Bosnian brain, except that the jokes are driven by a barbed poke at pretentious sophistication, and celebrate the logic of the common man.

When Bosnians (usually Muslims, nowadays) tell you that all three people lived together without regard to ethnic group, they are by and large telling the truth. More than one in four marriages during the post-war period were mixed. But there was a rider to this optimism. While the towns and cities were nonchalant arenas for the practice of multi-ethnic Bosnia, everyday life in the countryside was one in which Muslims, Serbs and Croats were more insular. The Second World War in Bosnia had been driven by undercurrents of civil war and in the villages, peasants who had fought on all sides and in particular the Serbs, made sure to keep their weapons. For them, the war had not yet ended; it was a question of waiting for the right moment to re-commence it.

Two social and demographic themes, pertinent to the present disaster marked the 1950s and 1960s. First, the emergence of a secular Muslim intelligentsia within the already urbanised community, part of which was indigenous, part of which came from the gentry dispossessed by land reform. The landowners moved into the main population centres where their co-religionists were based. They were assimilated with relative ease and their children were early benificiaries of Tito's impressive, if ideologically straightjacketed, educational system. Then a second population movement followed: that of Serbian and Croatian peasants into the cities. Serbs from the rural Bosnian 'Krajina' flocked into Banja Luka, encouraged by industrialisation incentives and a series of natural disasters. Other rural Serbs converged on Sarajevo

from the surrounding mountains and further afield, as new tower blocks spread to the feet of the hills. Croatians from the belligerent outback of Herzegovina came to Mostar, which had until 1950 been shared principally between Muslims and Serbs. There was an urbanisation of the rural culture of insularity within cities that had previously grown on relative tolerance.

These newcomers did not assimilate into the urban lifestyle, which was easy-going and either loyal to Tito's republic or apathetic towards both socialism and the *narod*. This was particularly true in Sarajevo. Before the present war, there were 150,000 Serbs in Sarajevo, of whom 90,000 remained behind in the capital to endure the siege and fight alongside the Muslims and Croats. Most of those who stayed have had families there for generations, but of those who left to join their blood brothers shelling the city, almost all were from families which had arrived only years before. There was a deep inferiority complex among the rural arrivals. The national pride of the village Serbs and Croats was blended with bitterness. Modern Bosnia has re-defined two old words to describe these two cultures, the urban and the rural: the old word *raja*, which characterised the usually non-Muslim peasantry in Ottoman times is now taken to mean the tolerant folk of the city, regardless of creed. The word *papak* describes the country folk among whom old hatreds are kept alive by aggressive nationalist sentimentality. People in Sarajevo will tell you this is a war between *raja* and *papak*.

In 1990, there were still those who called mixed Bosnia the 'little Yugoslavia' because it embodied the federal project in miniature. Others, conversely, preferred to call Yugoslavia 'big Bosnia' for the same reason. But by then the analogy was an unfortunate one, for Yugoslavia was falling apart. The leaders of Bosnia's majority Muslims and Croats did not wish to remain in a Serbian-dominated Yugoslavia from which Croatia and Slovenia were departing. The Bosnian Serbs, however, did not wish to be cut adrift

from a Serbian-dominated Yugoslavia to become part of what they were told by Belgrade would be 'Muslim' Bosnia. The country went to the polls in November 1991, and rewarded all the ethnically rooted political parties. The language of formal party politics, at least, was now that of ethnic sectarianism.

Bosnia, according to the latest census, was forty-four per cent Muslim, thirty-four per cent Serb and seventeen per cent Croat. The Muslim Democratic Action Party, the SDA, became the biggest in parliament. Second was the Serbian Democratic Party, the SDS, a subsidiary of the Socialist Party of President Slobodan Milošević in Serbia proper; and the third was the Bosnian branch of President Franjo Tudjman's ruling Croatian Democratic Union, the HDZ, in Croatia. The leader of the SDA, Alija Izetbegović, duly became president of the republic, a man who had embraced the ethnicisation of politics as eagerly as any of his contemporaries, although with the idea of co-habitation, rather than war, as the premise upon which each *narod* might realise their respective cultures. It was to be a rotating collective presidency, made up of three Muslims, three Croats and three Serbs. Each president was to sit for two years as *primus inter pares*.

The Yugoslav federal army emitted a clear signal of its intentions by disarming Bosnia's part-time territorial reserve and re-distributing its weapons within the Serbian Democratic Party and its emerging paramilitary formations. Weapons and men were being brought back from the Croatian war, and were stopping in Bosnia. The war was in the starting stalls, but still no one believed that ethnic battle could be fought among three peoples whose lives were so closely entwined.

Newt/Sandy

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newspaper feature writers, site managers should pitch pieces profiling budding Stakhanovites on staff—"articles about particularly dedicated and effective AmeriCorps Members." Run out of news pegs? No problem: "Give an award to an AmeriCorps member or a supportive community leader." If all else fails, and your good deeds have failed to make the evening news, "Initiate a new project."

Many AmeriCorps project directors seem to have taken to heart the injunction to go forth and publicize. In its quarterly report, for instance, the AmeriCorps-funded Real Alternatives Program in San Francisco listed only one difficulty under the heading of "Primary Challenges/Problems Encountered" and it had nothing to do with helping the needy: "Media coverage has been slow at this time," the directors lamented. "We feel that we need to do more active media advocacy and program promotion." They added hopefully that "a Media Committee Speakers Bureau was set up to work in this area." The National Endowment for the Arts, which employs 60 AmeriCorps workers, preempted any such snag by hiring a New York public relations firm, the Kreisberg Group. The flacks, noted the NEA in its quarterly report, have "been helpful in the placement of stories in the greater New York metropolitan area." Other AmeriCorps projects have boasted of buying radio and television spots and taking out newspaper ads to publicize the program.

All this self-promotion can be enervating, especially for non-profit groups accustomed to spending most of their time helping actual people. "Real local charities don't even think to look for a federal grant," says John Walters, whose New Citizenship Project has studied AmeriCorps for the past year. Charities that agree to accept AmeriCorps money and workers think about it a lot.

The stock Republican swipe at AmeriCorps is that the program has been used as a political tool for the Left. There is of course some truth in the charge (an organizer for Mississippi Democrat and failed gubernatorial candidate Dick Malpus recruited volunteers at an AmeriCorps site in Jackson this fall, for instance), but liberal bias is not the real problem with AmeriCorps.

The real problem is that AmeriCorps is funded by Congress. And taking money from Congress requires charities to earn national recognition rather than simply local gratitude. Hence the media strategies and public relations firms. For many erstwhile private non-profits it is a shift in focus whose effects are just beginning to be felt. "Every time I turn around AmeriCorps is making us do something that distracts me from my work here," complains a staffer at Habitat for Humanity, a widely respected charity that recently signed on with AmeriCorps.

Meanwhile, the AmeriCorps publicity machine rolls on, sometimes more smoothly than others. Moments after explaining why she had an AmeriCorps sign placed in Fairfax's Thaiss Park, site manager Maria Garin lays down her ground rules for media interviews: "Just to let you know, before you plan on using this information or my name or the agency's name, it has to go through my executive director and my program director." Does this mean that nobody is allowed to publish the name of Garin's group without permission from the AmeriCorps directorate? "Yes," she replies, "before it is published, it has to go through our executive director."

Nice try, Maria. But it is hard to blame her for giving it a shot. After all, "Publicity," the *AmeriCorps Media Guide* advises, "is simply a means of telling people what you want them to know." ◆

After 'Balkan Ghosts'

by Robert D. Kaplan

Balkan Ghosts: A Journey Through History—a book I wrote in the late 1980s and completed in January 1991, months before the first shot was fired in ex-Yugoslavia—seems to have become a litmus test among the policy nomenklatura in Washington. Apparently, if you like the book, it means that you think all the groups in Bosnia are murderous, and therefore intervention is a mistake. If you hate the book, it means that you believe Bosnia has been a place of peace and harmony, and our inaction has caused the bloodshed. Journalist Elizabeth Drew even maintains that President Clinton's decision not to take forceful action in Bosnia in the spring of 1993 was at least partly due to the book's effect on him.

This is disconcerting, for two reasons. First, there is exceedingly little about Bosnia in *Balkan Ghosts*. It is a subjective, broad-brush travel book about the whole peninsula, not a policy work. Four of its nineteen chapters are specifically devoted to the former Yugoslavia. Of those, one is about Croatia, one about Serbia and Kosovo, one about Macedonia, and one about the late dissident Milovan Djilas.

That policy makers, indeed a president, might rely on such a book in reaching a momentous military

decision would be frightening if true. More likely, I suspect, *Balkan Ghosts* supplies handy ammunition whenever inaction is the policy. Back in 1993, Clinton had so little resolve that he was casting around for any excuse not to act.

But that only highlights the second reason why it is frustrating to find *Balkan Ghosts* cast as an anti-intervention tract: I myself have been an outspoken hawk. Since the first half of 1993, I have publicly advocated "lift-and-strike," even raising the possibility of involving U.S. ground troops, on CNN and C-SPAN, in the *Washington Post* Outlook section, and in other forums. For several years at Fort Leavenworth and Carlisle Barracks, I have made the case for intervention to the U.S. Army.

And I insist that there is no contradiction between my writing a book that paints an exceptionally grim portrait of group relations in the Balkan peninsula as a whole—and my urging intervention to stabilize a part of that peninsula. Here's why.

A background of ethnic strife, no matter how awful, does not by itself cause hundreds of thousands of deaths, in conditions that resemble the Holocaust, a few hours from Vienna. For that, one needs an additional factor: a power vacuum created by Western confusion and inaction.

In particular, the argument over whether the Bosnians are historically a peaceful people is a false one. Distinguished writers make a strong case for a tradition of good intergroup relations, especially in cities like Sarajevo. But this ethnic harmony has often been balanced on a knife's edge. In the short story "A Letter from 1920," Yugoslav Nobel laureate Ivo Andric writes about an invisible border between love and hate in Bosnia, and how beneath "so much tenderness and loving passion" sometimes lie "entire hurricanes of tethered and compressed hatreds maturing and awaiting their hour." Moreover, one must acknowledge not only the peaceful intercommunal tradition present through much of Bosnian history but also the strife there since 1992 (and between 1941 and 1945). Neither Martians nor President Clinton nor even Lord Owen killed Bosnian Muslims. Other Bosnians did.

But then, so what? So what if the Balkans are a confused, often violent ethnic cauldron? Welcome to much of the world. This doesn't mean you crawl into an isolationist cocoon. You insert troops where overwhelming moral considerations crosshatch with strategic ones, regardless of the character of the local people. What happens in Bosnia will directly influence what happens in Kosovo, Macedonia, Albania, Greece, and Turkey: places that in some cases have tottering governments and high unemployment, not to mention heavy alcoholism, and in other cases have defense agreements with the United States and are bristling with sophisticated weaponry. Further afield, what happens in Bosnia will significantly, albeit indirectly, affect politics in the rest of Europe, in Russia, and even in Syria, whose president, an aging Don Corleone, has always tended to be more accommodating when the United States successfully projects power in contiguous regions.

Finally, even if you accept the notion that the Bosnians are not as angelic as some of their defenders claim, they still have more going for them than most people in the Third World. Bosnia has high literacy rates, low birthrates, and a memory of bourgeois existence before Tito. There is a bedrock social stability to return to in Bosnia that does not obtain in, say, Somalia or Haiti. The real success story would be to bring Haiti up to the level of Bosnia in a few decades (as I argued 20 months ago in the *Washington Post*).

Ethnic hatred or no, the key to Yugoslavia's collapse is economic. I was in Yugoslavia every year from 1981 though 1989. Each time I went back, the country was poorer. The economy was in a non-stop deceleration, partly due to the crackpot protectionism of Tito's communism-lite: If one ethnic republic had a certain type of factory, the other republics had to have one, even if it was not necessary. Without this economic malaise, the entire atmosphere in the country would have been different.

The president's new policy, of course, has problems. The agreement it implements is less like peace than divorce. While we push a rhetoric of multiethnic tolerance around the world, our troops in our most high-profile overseas operation will be apartheid cops. The Pentagon keeps saying that the troops will merely enforce the lines of separation.

Well, those lines are based on brutally established ethnic divisions. Moreover, our success will depend on Serbian leader Slobodan Milosevic's ability further to consolidate his autocratic control over Greater Serbia, so that Bosnian Serbs don't make trouble and renegade Serb militia units don't go crazy in Kosovo and Macedonia, leading to Albanian uprisings. Clinton now needs Milosevic, who is the century's most successful war criminal because he has gotten away with his crimes.

To lead, though, is to choose. Any alternative to sending troops at this point is worse, for reasons publicly established. The president, for me, has emerged as a *real* president. Not to support him on Bosnia is to cower in isolationism and watch NATO disintegrate.

Robert D. Kaplan, a contributing editor of the Atlantic Monthly, *is the author of* The Ends of the Earth: A Journey at the Dawn of the 21st Century *(forthcoming, Random House).*

THE PRESIDENT HAS SEEN
1-2-96

The race for the bottom

International differences in the regulation of product and labour markets, environmental protection and competition policy are often said to make trade "unfair". Do they?

CAST your eye over a list of the bitterest trade rows of the past few years. Many concern not the traditional tools of protection, such as tariffs, import quotas and export subsidies, but differences in domestic regulations. For example, rules supposedly intended to protect consumers from dangerous products are sometimes seen by foreigners as trade barriers. Plenty of America's frequent spats with Japan stem from American companies' inability to break down the ties between Japanese manufacturers, distributors and retailers; Japan's antitrust authorities, the Americans say, are slack.

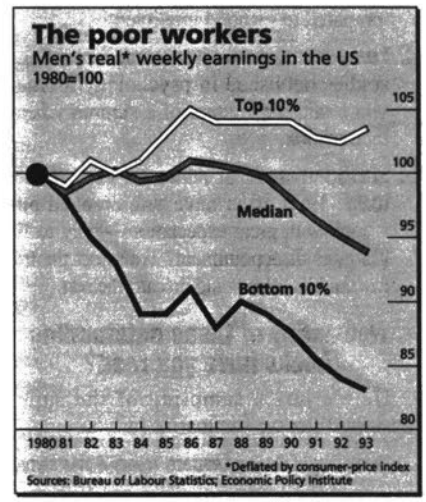
Such disputes are likely to occur more often in future. One reason is the growth of international trade: as national economies become more integrated, firms will complain more often about the rising cost of having to adapt to different rules in different markets.

More serious is the growing worry, especially in America, that countries in which the regulation of labour standards tends to be weak, and protection of the environment scanty, will have an "unfair" advantage in trade and in attracting direct investment. Some attribute the fall in the wages of unskilled American males, at a time when rich workers' earnings have risen, to competition from countries with slacker regulations (see chart). Thus fear of regulatory protection on the one hand, and cheap imports on the other, is making some politicians, businessmen and labour leaders argue that more harmonisation of national standards would be a good thing.

But would it? In some respects, perhaps. In a recent book* Alan Sykes, a law professor at the University of Chicago, shows how national product standards and regulations can act as trade barriers. Frequently, he argues, there is no need for governments to intervene at all. The market can be relied upon to ensure, say, that software and computers are compatible, or that goods are of sufficient quality; if they are not, consumers will not buy them. In such instances, differences in national regulations that are unnecessary in the first place are likely to hobble trade.

ECONOMICS FOCUS

Where regulation can be justified—for example, in ensuring that food is safe to eat or that children's nightclothes are not inflammable—so might differences between countries' rules. The reason, says Mr Sykes, is that consumers' preferences and incomes vary from one country to the next: just as the market might produce goods of lower quality in poorer countries, or with differences tailored to national tastes, so governments should respond in the same way.



Yet such diversity has costs as well as benefits: firms find it expensive to ensure that their products comply with regulations in every country in which their wares are sold. Much of the time, reckons Mr Sykes, it is impossible to decide whether international differences are justified. Sometimes, though, they clearly are not. Too often, they are designed to coddle local producers at the expense of foreigners and the local consumers they are supposed to protect. In one celebrated example, the Thai government once used an anti-smoking campaign to justify taxes and restrictions on imported cigarettes—but not on locally made ones.

A new paper† by Jagdish Bhagwati, an economist at Columbia University in New York, examines the demands for reducing other forms of diversity: structural differences between economies, notably Japan's *keiretsu* system of closely related companies; labour standards; and environmental rules. Not surprisingly to anyone familiar with Mr Bhagwati's work, he finds them less than compelling.

In part, he attributes America's attacks on the structure of the Japanese economy, and its demands for stricter labour and green laws in poorer countries, to America's diminishing share of world output. This makes it more reluctant to play by the rules of free trade.

Green is good, but . . .

However, Mr Bhagwati also considers several more respectable motives for wanting harmonisation. Some Americans might argue that Mexico, say, should have higher standards of environmental protection, or tougher labour laws, because they believe that Mexicans have a right to the same air quality, or wages, as Americans. Or they might believe, out of concern for humanity as a whole, that Mexicans should do their bit to protect the global environment. Either way, some advocate the threat of trade sanctions to force Mexico to mend its ways.

Mr Bhagwati says this is wrong. It is fine, he says, for lobbyists to ask their own governments to cough up for good causes. But in this instance, they are asking them to make foreigners do the coughing. That makes it likely that those who would benefit from such trade protection will try to put more demands on poorer countries. Moreover, sanctions may not lead to less pollution or better working conditions: if Mexico spends more on clean air than it can afford, or raises its labour standards, its ability to grow and improve its record later will be damaged.

A further reason for wanting less diversity is a fear of a "race to the bottom" in environmental and labour standards. Multinational companies, the argument runs, will be attracted to countries with slack rules; countries where standards are high now will have to relax them or see factories close. The result? Miserably paid workers everywhere, and a ruined planet.

Maybe. Mr Bhagwati points out that the "bottom" is just one of several theoretically possible outcomes, and that the evidence of such a race is far from conclusive. If the American government wants to protect the environment and workers' rights, he suggests, then rather than force poor countries to adopt higher standards, it would be better to require American firms operating abroad to adopt the same employment and environmental practices as they would at home. (Indeed, plenty already do.) If the idea is to make the planet greener and workers less poor, surely they would not object?

*"Product Standards for Internationally Integrated Goods Markets". Brookings Institution, 1995

†"The Demands to Reduce Domestic Diversity among Trading Nations". To be published in "Fair Trade and Harmonization: Prerequisites for Free Trade?". Editors: J Bhagwati and R Hudec. MIT Press, 1996



ROBERT S. MCCORD
THE PRESIDENT HAS SEEN

Starr oversteps his boundaries

The purpose of the independent counsel law is to provide a way to investigate suspected crimes by high-level officials of the executive branch of federal government and to insulate the counsel from presidential control.

Independent Counsel Kenneth Starr and his 50 FBI agents and 18 federal prosecutors are in Arkansas supposedly investigating bill and Hillary Clinton for a conspiracy and coverup their political enemies say they conducted in connection with the Whitewater real estate development.

But the only high-level federal official Starr has indicted is Deputy Attorney General Webb Hubbell, who committed his misdeeds in Little Rock, not Washington, and against his law partners, not the American people. Actually, Starr spends his time interfering in Arkansas matters.

For example, two years ago the Arkansas insurance commissioner seized a burial insurance firm owned by David Hale. Nearly all the money paid into the company by low-income persons had disappeared, so the commissioner asked Pulaski Prosecuting Attorney Mark Stodola to prosecute Hale.

Well, Hale happens to be Starr's key witness, so Starr told Stodola to hold off. Amazingly, Stodola, who is under no obligation to take orders from Starr or any other federal prosecutor, has done so, and the statute of limitations runs out in four months.

In September, Circuit Judge David Bogard was preparing to hear a civil case concerning a forged check brought by a businessman against a Perry County bank when two of Starr's lawyers showed up to stop a witness from testifying. The witness: Neal Ainley, the bank's former president, who had been indicted by Starr and pleaded guilty to concealing cash withdrawals from Bill Clinton's campaign fund when he ran for governor.

Bogard looked at the two lawyers in disbelief, noted that they were not a party to the lawsuit in any way, denied their request and went on with the trial.

This week a strange Associated Press story reported that Starr is now trying to subpoena the 1990 records of political contributions to Clinton from two other Perryville bankers—contributions they allegedly made from a bank slush fund.

How petty. This was Clinton's campaign for governor, not president, and the total amount is said to be only $7,000. If true, this is surely something for a county prosecutor to look into, not the independent counsel.

Since he came to Arkansas, Starr has made Governor Tucker his chief target. He's persuaded at least 12 members (that's all it takes) of a 23-person Grand Jury to indict the governor on 24 counts, some with no connection to either Whitewater or Clinton.

Finally, there's the brazenly personal attack on Judge Henry Woods made by Starr when he appealed Woods' reversal of some of the Tucker indictments. I asked Starr why, if he thought Judge Wood was so biased, he hadn't asked him to recuse in advance.

Starr wouldn't answer the question. But he did say that both the language in the appeal and the decision not to ask for recusal had been approved by Sam Dash, the Washington law professor who acts as Starr's ethicist. Some lawyers and one judge I know found this hard to believe. So I tried to get Dash to confirm it, but he wouldn't return my call.

EDITORIAL

BY DAVID GERGEN
EDITOR AT LARGE

THE PRESIDENT HAS SEEN
1-2-96

THE FIRST BIG TEST OF '96

At long last, Washington has plunged into the endgame in its epic battle over a balanced budget. Before long, we should know whether our highest officials have the wisdom to agree upon a plan that is both credible and fair. Equally so, we will have a clearer idea which of the two likely candidates for president next year has a stronger claim on leadership—Bill Clinton or Bob Dole.

Time is now critical in the budget fight. If a compromise is not reached by Christmas, America will probably lose the best opportunity in a generation to restore our fiscal sanity. Should this controversy stretch into next year, the heat of the campaign season and a cooling economy could easily scotch any chance of a settlement.

Prospects for agreement grow even dimmer after the '96 elections. Among the dozen senators who have announced their retirement are legislators who excel at marshaling bipartisan coalitions—Republicans like Alan Simpson and Nancy Kassebaum, Democrats like Sam Nunn and Bill Bradley. Their departures will gravely weaken the political center, perhaps making the Senate as partisan and bitter as the House. So, the time for an agreement is now.

It's now time for Bill Clinton and Bob Dole to prove what they're made of and reach a credible balanced-budget agreement.

Substantively, a compromise is not as tough as advertised. On the most contentious issue, for example, the Republicans would raise Medicare's monthly premium over seven years from $46.10 to $88.90, the Democrats to $77. Surely they can compromise on a difference of 39 cents a day. Overall, the parties are still more than $400 billion apart in total spending over the seven years; but that gap will quickly shrink if they trim back the $245 billion in tax cuts proposed by the GOP (or better yet, postpone them altogether) and adjust the consumer price index to reality (an idea the White House began quietly advancing last week).

The two essential principles, as emphasized here before, are, *first,* that the agreement place us on a credible, firm path to reach a balanced budget by early in the next century. No gimmicks, no rosy scenarios. The Republicans are right to insist upon using the more conservative economic estimates of the Congressional Budget Office as a basis for agreement. History shows that every budget agreement in the past has erred by being too lax; we will never balance the budget unless we err the other way. *Second,* the agreement ought to be fair. The Democrats are right to insist that the current Republican plan is too lopsided. Last week brought yet another study—this time by the Urban Institute—showing that most of the losers under the GOP plan are in the bottom fifth of the population. If there is to be sacrifice, it must be shared more equitably.

Again, on the substance, these differences are not difficult to resolve. The difficulty is political, and on that one it is now time to place responsibility squarely on Messrs. Clinton and Dole. This fight is where they show their true mettle, demonstrating not only their commitment to an urgent national need but their skill and courage in addressing it.

Senator Dole has been a model of leadership in recent weeks. On Bosnia, he put aside his own reservations and bucked many in his own party to support the troops and the commander in chief. On the budget, he has worked closely with Newt Gingrich and others to steer through the GOP plan and elicit a series of compromises from Clinton. This is the Bob Dole of years past. But now, in the crunch, can he pull conservative Republicans into a grand compromise with the White House? Will they follow him?

From Bosnia to Ireland, President Clinton has been on a roll of his own recently. In the recent shutdown of the government, he won a public relations battle with Republicans even as he conceded on substantive points. But now many liberal Democrats, along with some of his own advisers, want to ditch a budget deal and keep beating up on Republicans all the way to November 1996. For the country's sake, that is a horrible idea. But will he be swayed by that siren song, or will he put the country first? And will he emerge with a deal that is both credible and fair?

Soon enough, we will hear from voters in Iowa and New Hampshire about their preferences. But make no mistake. The first true test of the 1996 presidential contest is now. ■

To Don Bailey Fyi — good statement BK 1-2-96



ERNEST DUMAS

The need for government

People sure enough are mad at government—fed up with it may not be putting matters too harshly. The public distemper provides cover for politicians and big business interests to undo all kinds of protections that even angry people really don't want to repeal.

Most folks are mad at government because they don't think it is working, not because they think the idea of government is bad. Any survey that reports public unhappiness with government also will show big majorities for even more government services if they are enumerated.

Better streets and highways? Sure. Meaner criminal laws, more police and larger prisons? Great. Tougher standards for schools? Certainly. More protection from swindlers and faulty products? Absolutely. A cleaner, safer environment? Yes.

The Republican revolutionaries in Congress, the Newt Gingriches, and opportunists like Sen. Bob Dole misread the public anger when they set out to dismantle the federal government willy-nilly. The 1994 election results, the big Republican majorities at Washington provide a window to turn back the clock a few decades or, in some cases, a half-century or more. Business and financial interests that have chafed at regulatory hurdles and restraints are writing the laws now and handing them to the congressional committees.

Federal health and safety rules have saved hundreds of thousands of lives, and economic regulations have staved off depressions and stabilized the business and labor climate. They have introduced a level of confidence in the everyday lives of everyone. People do not worry much about being poisoned by the foods they buy, and they are not bothered by doubts about whether the money they deposit in banks will be there when they need it. People are disturbed not at the amount of regulation but its failures, the deaths from undiscovered E Coli bacteria, the collapse of savings and loans.

We are about to see the failures multiply.

Republican majorities on congressional committees are rewriting financial laws and crafting laws that will erect high barriers to regulation. The Agriculture Department, which has been relying on standards and procedures that haven't changed much since early this century, is finally moving to toughen inspections of the nation's meat supply. Sen. Dole wants legislation adopted that would effectively block it. Health and safety rules would be barred until scores of elaborate tests and calculations were made, and industry could block them with endless judicial reviews.

Potentially more sweeping are "regulatory reforms" in the financial industry. More radical members of the House of Representatives, who may prevail, would practically repeal the Glass-Steagall Act, the Depression law that brought a half-century of relative stability and confidence to American banking. The cry is to unleash the banking and securities industries to expand and better serve people.

They turned the thrifts loose to compete in 1979 and 1981. Leland DuVall, who wrote sagely for the Arkansas Gazette for 40 years, almost alone in the United States warned of the impending catastrophe when thrift directors were given carte blanche to compete with other financial institutions.

If the big banks get to kick the fetters of the Glass-Steagall Act, gobble up competitors and become insurance peddlers and securities dealers, DuVall said, American taxpayers and investors will be even bigger losers than they were in the savings and loan disaster.

The House Banking Committee, by a party-line vote, adopted legislation that would sweep aside all the important consumer protections of the Glass-Steagall Act. The best hope is that the Republicans are into so much mischief that they simply can't get it all passed this year. The next best is that President Clinton will veto the legislation and not make Leland DuVall an unhappy prophet again.



ROBERT S. MCCORD

scores of blacks and whites do not have to be equalized before

WORDS



DOUG SMITH

Elsa Marie Hartl of North Little Rock told me where to find the answers to my questions (June 23) about *Apatosaurus* and *Brontosaurus*. They're in "Bully for Brontosaurus," the title essay in a collection of Stephen Jay Gould's reflections on natural history. I might have known, being a Gould fan myself.

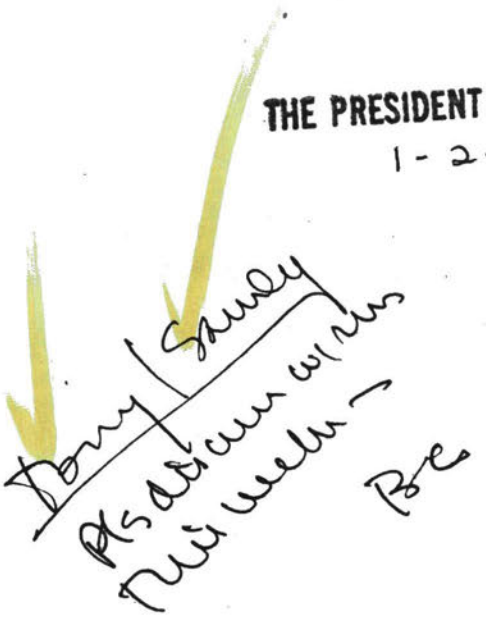
In the 1870s, a paleontologist found the remains of a dinosaur and called it *Apatosaurus,* which translates to "deceptive lizard." It proved even more deceptive than he knew. A couple of years later, he uncovered the bones of a larger creature. Believing it to be a different genus, he called it *Brontosaurus.*

Later studies by other scientists revealed that *Apatosaurus* and *Brontosaurus* were actually juvenile and adult versions of the same animal. Under the rules of taxonomy, *Apatosaurus* was declared the official name because of seniority. There are organizations that apply the rules in cases of disagreement, Gould tells us.

As far as the experts were concerned, the question of the right name was settled by the early 1900s. But

THE PRESIDENT HAS SEEN

1-2-96



Gingrich Wins Support for Funding Covert Operations in Iran By James Risen= (c) 1995, Los Angeles Times=

WASHINGTON House Speaker Newt Gingrich, R-Ga., has won his behind-the-scenes battle in Congress to provide funding for a new CIA covert action program to destabilize Iran, congressional sources said Thursday.

After weeks of negotiations between House and Senate leaders on the roughly $28 billion budget for 1996 for the U.S. intelligence community, the two sides agreed to a House Republican proposal calling for $20 million for an Iranian covert action program at the Central Intelligence Agency.

Currently, the intelligence budget includes just $2 million for
a largely symbolic effort against Iran. The Gingrich proposal provides $18 million in new annual funding.

The Clinton administration, the Senate leadership and the CIA had opposed the Gingrich-backed plan. CIA Director John Deutch explained in a closed hearing of the Senate Intelligence Committee that the CIA believed the plan was flawed, and the issue ultimately became the main obstacle delaying a final agreement between the House and Senate on the entire intelligence budget.

The Senate leadership apparently was won over, however, after House Republican leaders offered a compromise to allow the administration and the CIA to decide how to spend the money and how to structure the Iranian covert program. Sources say an agreement came Wednesday night, and
the House approved the new authorization bill on voice vote on Thursday.

But administration and CIA policymakers still oppose the plan because they believe it will be ineffectual and a waste of funds.

U.S. intelligence sources say the CIA has never had much luck in mounting a covert action program against Iran. Dissident groups operating overseas are considered untrustworthy, and the CIA has found it difficult to gain enough support within the Iranian leadership to launch any large-scale effort to destabilize the regime. CIA officials also worry about mounting a clandestine effort at the behest of Congress, which puts the operation at risk of becoming a political football. What's more, CIA officials believe that covert action of any kind is a losing proposition, setting up those involved for getting mired in a potential scandal.

Still, it may be difficult for Clinton to veto the legislation without appearing to be soft on Iran, which Washington charges is a major benefactor of international terrorist activity. The administration has imposed trade sanctions on Iran, and has been working quietly to gain more support from its Western allies for the trade sanctions.

In other intelligence budget matters, the legislation contains a major defeat for the administration's plan to create a new spy agency that would handle all of the government's spy satellites and aerial spy photography.

The proposal, backed by Deutch and Defense Secretary William Perry, calls for the creation of a National Imagery and Mapping Agency, which would consolidate all work on spy photography the way that the National Security Agency now manages and distributes all eavesdropping, wiretaps and so-called ``signals intelligence."

But House Intelligence Committee Chairman Larry Combest, R-Texas, strongly opposed Deutch's plan. The new budget demands that no funds be spent to create the new agency until Congress conducts a more detailed review of the plan.

Rescuers Save 9 of 164 Aboard Jet That Crashes in Colombia By Steven Ambrus= Special to the Los Angeles Times=

BOGOTA, Colombia Rescuers saved at least nine of the 164 holiday travelers aboard a jetliner from Miami that crashed into a Colombian mountain and exploded, scattering human remains and the wreckage of an American Airlines jet for miles, authorities reported Thursday.

The Boeing 757, which hit a mountain in the southwestern part of the country, was bound from Miami to Cali. The cause of the crash is not known.

In all, nine people were rescued in the course of the day, and one has since died, said Efrain Marin, spokesman for Colombia's civil aviation authority.

Mauricio Reyes, a 19-year-old Colombian business student at the University of Michigan, was hospitalized, breathing with an oxygen mask, and had cuts and bruises.

``After all I've cried, what incredible joy," said his brother, Andres Reyes, 26.

Authorities had originally reported that all aboard perished when the airplane crashed Wednesday evening.

``This is a miracle, this is beautiful," said Dr. Labrero Quintero, the head of emergency medicine at the University Hospital del Valle, where the survivors were taken. ``We hope that we can bring many more back," he said. ``Because this is a miracle."

Authorities believe the survivors were at the front of the plane, which was detached from the rest of the jet.

``We believe the first impact was sustained at the tail," Gen. Luis Enrique Montenegro, deputy commander of the national police force, said in a televised interview. ``The second was 1,000 meters further on and was against the forest, which acted as a cushion."

The other survivors included a family of three Gonzalo Dussan and sons Michel, 6, and Gonzalo, whose age is unknown. Four others, identified as Nancy and Cindy Delgado, Jackie Gonzales and Mercedes Ramirez were also rescued, Marin said.

But along with the joy, there was grief both in Colombia and Miami.

Raul Alfonso Hurtado, a doctor, age 30, was pulled from the wreckage only to die at a Cali hospital five hours later, Marin said.

Throughout the day Thursday, relatives and friends of those on board flight 965 waited at Miami International Airport for news. Late Thursday, several of those waiting boarded an American Airlines flight to Cali.

Maurice Ferre, who was mayor of Miami from 1973-1985 and is the scion of a prominent and wealthy Puerto Rican family, did not wait until then. He flew to Cali Thursday on a private jet to visit the crash site, a family spokesman said.

Among those aboard was his son, Francisco Ferre, 33, a Miami attorney, accompanied by his wife, Marianna, and their three-month-old son, the spokesman confirmed. All were believed dead.

Other Americans believed killed were the pilot, Capt. Nicholas Tafuri, 57, of Marco Island, Fla., and 1st Officer Don Williams, 39, of New Smyrna Beach, Fla.

(Begin optional trim)

``Oh my God! Oh my God! I know him," said Veronique Rivera, an American Airlines flight attendant based in Miami, reached Thursday as she was preparing for an afternoon flight to Caracas. ``I flew many times with him to Caracas, to Bolivia," she said. ``He's very nice. Very responsible. He was very thorough in his (cabin) briefing before flight."

In Fort Worth, Texas, at American Airlines headquarters, chairman Robert Crandall told employees over a loudspeaker, ``We are both horrified by the event and mystified as to its cause."

The mood was also somber at the Seattle headquarters of Boeing, manufacturer of the plane, which until now has had an unblemished record since its first flight in 1982.

At the Colombian government's request, Boeing has sent a five-person team to investigate the accident, said

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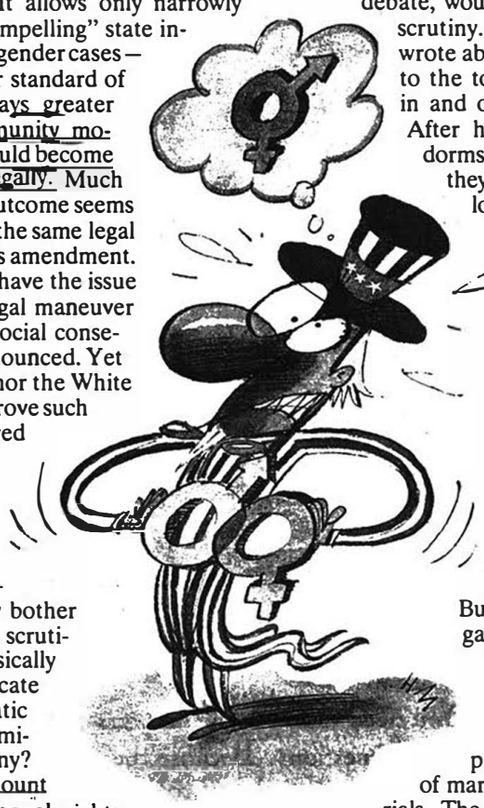
By John Leo

Return of the ERA

With almost no public attention, the Justice Department has made a very surprising move in the VMI case. It has asked the Supreme Court to apply "strict scrutiny" on gender issues.

This may sound like a ho-hum move in the five-year-old suit to force the Virginia Military Institute to accept women. But it has implications way beyond the issue of whether one-sex public colleges should be legal.

Strict scrutiny is the Supreme Court's potent jargon in cases of racial discrimination. It allows only narrowly tailored policies that serve a "compelling" state interest. If that becomes the test in gender cases—as opposed to the current looser standard of intermediate scrutiny, which pays greater homage to tradition and community mores—classifications by gender would become almost impossible to defend legally. Much litigation would follow, but the outcome seems clear: Strict scrutiny would have the same legal and social effect as an equal rights amendment.



What's wrong here? First, we have the issue of furtiveness. A government legal maneuver that could have such powerful social consequences certainly ought to be announced. Yet neither the Justice Department nor the White House (which would have to approve such a dramatic political move) bothered to tell us what was going on.

Second, the Justice Department's brief asking for strict scrutiny argues that "the constitutional violation in this case is, however, plain even under intermediate scrutiny." If so, why bother with the explosive issue of strict scrutiny? Is it really relevant, or is it basically a pre-election attempt to placate pressure groups of the Democratic coalition, 28 of which filed an amicus brief in favor of strict scrutiny?

Since strict scrutiny would amount to a backdoor revival of the equal rights amendment, all the issues of that debate are back in play: Boy Scouts, Girl Scouts, unisex bathrooms, the legality of private single-sex colleges, gay marriage and gay adoption.

Double-sex colleges. Private single-sex colleges could quickly become illegal under strict scrutiny. A group of 26 private women's colleges filed an amicus brief on the Justice Department's side in the VMI case, apparently in the brave belief that even under strict scrutiny, the private-public distinction would hold. But it's hard to see how it can. Private colleges can't survive without federal aid and tax exemptions, and in the 1983 Bob Jones University case, the Supreme Court held that all tax-exempt institutions must "serve a public purpose and not be contrary to established public policy." If this means what it seems to mean, single-sex colleges would have to become double-sex colleges or go under.

Under strict scrutiny, a legal challenge to the heterosexuals-only marriage regulations would certainly succeed. An impossibly heavy legal burden would be placed on anyone arguing that same-sex marriages shouldn't have the same legal status as opposite-sex marriages. Remember that the apparent court victory for gay marriage in Hawaii turned on the term "sex discrimination" in a state equal-protection law that doesn't even mention sexual orientation.

Even unisex bathrooms, the standing joke of the ERA debate, would be back as a real issue under strict scrutiny. A Williams College student recently wrote about her inability to take a shower or go to the toilet without male students wandering in and out of the officially unisex bathrooms. After her article, it turned out that several dorms at several colleges have this rule. And they apparently have it for the same ideological reason that undergirds much of the demand for strict scrutiny: They think that having different bathrooms for the sexes is something like having different water fountains for blacks and whites.

We are told that military arrangements, such as no women in combat and "don't ask, don't tell" on gays, would not be affected by strict scrutiny. In the most deferential manner, the new Justice Department brief explicitly exempts the military from its unisex, unigender plea to the court. And that exemption would likely last some years under strict scrutiny. But when a paradigm change hits our legal system, it is best to focus clearly on the new paradigm, not the often temporary limits sketched out for it.

For instance, in the famous *Griswold v. Connecticut* case (1965), the plaintiff explicitly focused on the rights of married couples to use contraceptive materials. The Supreme Court agreed and chattered on about the nobility of marriage and the rights of the married state. But the exemption here (no application to the unmarried) didn't last long, and the new paradigm in the case—rights discovered under new penumbras of privacy—went on to become the foundation of *Roe v. Wade*. The Pentagon presumably has the wit to expect that its political exemption under strict gender scrutiny might last about as long as the exclusion of single people from privacy rights after *Griswold*.

With so much at stake in this quiet Justice Department maneuver, maybe we should have an actual discussion before we wake up to find that one more amazing judicial end run around the electorate has occurred. If any reporter runs into President Clinton, he or she might want to ask whether he favors strict gender scrutiny, and if so, why. ■

ILLUSTRATION BY HAL MAYFORTH FOR USN&WR

THE PRESIDENT HAS SEEN 1-2-96

To Jack Quinn

Fyi - This is a potentially powerful issue — we need a response to the beggars problem the media -

BC

THE PRESIDENT HAS SEEN
1-2-96

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

December 28, 1995

VP
This is really exciting - need to work with this on this -
- could we get SAT Union -
BC

MEMORANDUM FOR: President William Clinton

FROM: Henry G. Cisneros HC

SUBJECT: Reinvention of HUD

As you know, we at HUD have been working on ways to continue the reinvention of the Department. The enclosed paper is a working draft of the directions toward which we anticipate moving in 1996.

Some of the changes are profound, including changing the Department's name to the U. S. Department of Homes and Communities. The name change would symbolize the redirection of our mission to emphasize our work **in** communities and **through** communities.

Though we are still in the working stages and consulting with White House staff, I thought you might want to see our draft over the holidays. There is language and thinking in this paper that may have applications beyond HUD to community empowerment generally, and to your State of the Union and 1996 messages.

Go to the people
Learn from them
Love them
Start with what they know
Build on what they have
But of the best leaders
When their task is accomplished
Their work is done
The people will remark
We have done it ourselves

-- From an ancient Chinese poem

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Appendix A. Cities with populations over 100,000 and/or the largest city in each state

I. EXECUTIVE SUMMARY

The time has come to talk directly about housing and communities in America. This is a discussion of a glass that is both half full and half empty. The glass is half full in the sense that the quality of housing for middle- and upper-income Americans is the best in the world. Today's interest rates and economic prospects make attainment of a record homeownership rate above 66 percent possible in this decade. And more Americans have the resources to live in decent, safe communities, increasingly in newly constructed sub-divisions outside the traditional core cities.

As much as critics of the Federal government deny it, it is undeniable that America's success in housing has been the result of an unmatched orchestration of market institutions, private effort, and national economic and housing policies, beginning with such actions as the creation of FHA in the Housing Act of 1934 and of the Federal National Mortgage Association in 1938. These actions had the effect of lowering interest rates to make homeownership more affordable, of allowing amortization of principal and interest over longer lengths of time, and of making more money available for mortgage lending. As a result, since 1940, when only 43.6 percent of Americans owned their homes the homeownership trend has increased steadily to today's 65 percent.

The Federal government's role in stimulating new construction and replacement of sub-standard housing has also been part of the dramatic improvements in quality over the decades. For example, in 1940 almost half -- fully 45.3 percent -- of American housing units lacked some or all plumbing facilities; three decades later in 1970 the percentage of homes without plumbing had dropped to 6.9 percent and today it is only ____percent. Few serious observers today would challenge the assertion that the American housing sector -- the package of industries, financial systems, and state, local, and federal policies -- is the most productive in the world and that Americans are the best housed people on the globe.

But a glass that is half full is also half empty. And though we are an optimistic people inclined and trained to concentrate on the part that is half full, responsibility requires that we recognize also the needs of millions of Americans who live in unacceptable conditions. Homelessness is growing beyond the estimated 600,000 Americans who stay in shelters or on the streets on any given night. The fastest growing segment of the homeless population is women with children. And the stark truth is that the cumulative effect of federal, state and local cuts in housing and family assistance programs will be more homeless people. For example, since Michigan ended general assistance to poor, childless adults in 1991, homelessness in Detroit has increased substantially and the number of available shelter beds in Detroit has been tripled.

It is a sad fact that among the Americans who live in the most unsafe and most sub-standard housing are those who live in the most troubled federally assisted public housing. Mothers in Chicago beg for the shooting to stop, families in New Orleans live amidst rodents, and children in Washington, D.C. are the prey of drug dealers and murderers. We have created

a modern equivalent of the reservation system for the poorest of our citizens, isolated, ignored and dismissed.

And for many Americans struggling to hold on to their middle-income jobs, the costs of shelter are rising as a percentage of what they can afford. The term "lifer" is used today to describe Americans who have resigned themselves to being renters for life, giving up the prospect of ever being able to afford owning a home.

For others, special circumstances make the quest for shelter elemental. It is not a quest so abstract as the goal of homeownership, but rather a daily battle to stay warm as the illnesses of advanced age bring discomfort or an increasing struggle with painful disabilities to find suitable housing. For Native Americans on reservations, farmworkers living in tents and shacks, families living in the colonias of the Southwest, or workers left behind in the small towns of the Rust Belt or in the rural heartland, the search for affordable housing is not an abstraction.

The juxtaposition of these American realities -- a glass that is both half full and half empty -- requires that we examine both our responsibilities and the effectiveness of our work. We have concluded that HUD must change if we as a country are to fill the glass of American housing and community opportunity. We have striven mightily to make those changes over the last three years. Now, in the last year of this term we will cement those changes.

In 1994, President Clinton proposed a bold reinvention of the Department of Housing and Urban Development, the first comprehensive restructuring of the agency in a generation.

At the time, the President set out core principles that have since guided HUD's aggressive reinvention efforts: improve customer service by cutting bureaucracy and red tape, streamlining staff and consolidating programs; put more power into the hands of local leaders by building effective and flexible partnerships; and empower individuals to become self-sufficient, encouraging personal responsibility in exchange for federal assistance.

To HUD, these principles translated into three major changes: consolidation of dozens of programs; dramatic transformation of public housing; and the reinvention of the Federal Housing Administration.

Since that reinvention began, HUD has made significant progress in meeting the President's reinvention goals, and the agency has substantial success to show for its efforts:

- The national rate of homeownership is up for the last several quarters.
- HUD's Federal Housing Administration has helped some 600,000 Americans buy a home in the last year -- even enabling families to move into their new home sooner by slashing processing time for mortgage applications from six weeks to one day in many states.
- Empowerment zones and enterprise communities are helping rebuild over 100 of

America's most dangerous and distressed communities.

- The innovative continuum-of-care approach to homelessness offers the first-ever affordable, lasting solution to the homeless crisis.

- The number of public housing authorities with pervasive problems has dropped by more than 25 percent.

- The growth of FHA's inherited portfolio of properties was reversed, with the single family inventory reaching a 10-year low and the multifamily inventory dropping 60 percent in two years.

Despite these and many other achievements, however, HUD's reinvention work is not yet complete. While HUD, under President Clinton's bold leadership, has come a long way in radically revamping the agency, the urgent task still before us is to move our people and programs out of Washington and onto the front-lines -- getting them as close as possible to the communities where Americans live, work, and, ultimately, invent our nation's destiny.

The time has now come for HUD to complete its reinvention -- essentially finishing what we started in 1994 -- and this is the task the agency will focus on throughout 1996.

HUD must change for good and explainable reasons. First, HUD must change because in the new environment of reduced funding and budgets, we cannot get the job done in communities by the traditional, top-down, approach. We must stretch every dollar, combine each federal dollar with state, local and private multipliers, and make two plus two have the effect of five.

Second, HUD must change because some of our programs clearly don't work in their present form -- as the most distressed public housing makes obvious. We must change them -- break the mold, question all assumptions, change the paradigm.

Third, HUD must change because as the national debate focuses on block grants to the states there has been virtual silence on the essential building blocks of communities. The job of strengthening communities will not be advanced measurably by replacing Washington bureaucracies with state bureaucracies that can be equally rigid and unresponsive. Decentralization and devolution that is meaningful to the American people means giving them tools in their communities, in the places where they live and where they can do something about their jobs, children, schools and safety.

Fourth, HUD must change because too many of our programs make passive clients of people, robbing them of their dignity instead of striking an effective balance of rights and responsibilities. Many central city residents not only accept, but welcome, conditionality in government benefits, if those conditions help guide them toward self sufficiency, toward jobs, incomes, and dignity.

To make these changes and to prepare the agency to serve America's communities into

the new century, HUD must now go further in its reinvention. This document -- *Where We Live: Renewing America's Communities from the Ground Up* -- proposes to take the final and critical step in reinvention, closing the doors on the HUD of the last three decades and opening the doors to a new and different kind of agency -- one better equipped and designed for the current economic realities -- America's Department of Homes and Communities.

Specifically, our 1996 reinvention would:

Go Beyond the Consolidation of 1994-5 to Fundamentally Empower Communities in 1996

Building on the core principles of giving maximum flexibility to communities and helping them to address their needs in a comprehensive manner, we propose:

- giving localities the option to receive all HUD formula funds, such as community development block grants, HOME and public housing, in one seamless, integrated funding stream -- in exchange for forming inclusive "community partnerships" that develop a shared vision on how to focus and integrate housing and community development resources;

- executing performance contracts with "community partnerships" that detail financial accountability and commitments to performance targets as a precondition to enhanced flexibility;

- giving all jurisdictions with approved consolidated plans the flexibility to use a portion of formula funds in support of integrated housing and community development strategies;

- consolidating six McKinney homeless assistance programs into a single Homeless Assistance Fund and expanding efforts to help homeless persons with multiple diagnoses, particularly mental illness and addictions, since they are the most difficult to house and therefore often ignored by communities;

- supporting regional efforts to design comprehensive and integrated solutions to housing and community problems;

- seeking continued funding of the Economic Development Initiatives program so that these funds can be combined with Section 108 loan guarantees to help pay for larger-scale job creation and "brownfields" clean-up projects.

Go Beyond Public Housing Proposals of 1994-5 to Transform All Federal Affordable Housing in 1996

Recognizing the role of market discipline and reciprocity in making our housing programs more effective, we propose:

- continuing to transform public housing by placing conditions on residency in particular developments, accelerating the demolition of the worst public housing, converting unused

subsidies to vouchers and expanding HUD intervention in troubled agencies;

- using section 8 tenant-based assistance as a potent instrument for economic independence by avoiding undue concentration of section 8 recipients, tightening admission and eviction rules, cracking down on badly managed PHAs and absentee landlords, and enhancing choice for recipients;

- remaking FHA's multifamily mortgage insurance programs to rely heavily on risk-sharing with local partners, incorporate the latest market and technological advances, and insist on performance accountability in FHA's relationship with private owners; and

- marking-to-market the overly subsidized rents in the older assisted inventory.

Go Beyond FHA Reinvention in 1994-5 to a National Commitment to Homeownership in 1996

For most Americans, owning a home is the American dream -- the final rung on the ladder of housing opportunity. It is the way we accumulate wealth. For communities, homeownership is a stabilizing factor; people who own their own homes stay longer and are more active in ensuring the neighborhood is safe and healthy. Consequently, we propose:

- helping to achieve record levels of homeownership through the aggressive implementation of the President's National Homeownership Strategy;

- completely retooling FHA so that it grows in its ability to help first-time buyers and others become homeowners by providing new authority to test innovative products, create new relationships and operate like a modern-day insurance company;

- providing greater access to private capital by setting and monitoring goals for the secondary mortgage market -- Fannie Mae and Freddie Mac;

- opening up housing markets by persuading mortgage lenders to adopt the "best industry practices" and "self-test" for compliance with fair lending laws;

- expanding support for homeownership awareness, education, and counseling to help families make the important transition to owning a home;

- creating large-scale urban homeownership communities -- "Homeownership Zones" -- as a means to reclaim abandoned neighborhoods, retain and attract back to the city hard-working moderate-income families, and stimulate business creation and private investment.

Create America's First "Right-Side-Up" Cabinet Agency

These program reforms lead to the conclusion that the agency that supports these programs must change. Consequently, we propose:

- creating a right-side-up agency in which the agency staff and authority will be reoriented to the field level, rather than to headquarters;

- closing 10 field offices, as a direct result of increasing agency efficiency;

- creating a single point of contact in some 150 communities where local leaders can get questions answered, problems solved and regulations waived;

- fostering increased collaboration with other federal departments so that communities can implement comprehensive solutions to local problems;

- using the latest technologies to communicate more efficiently, thus creating "paperless" transactions;

- providing dramatically new and vital training to our staff and our community partners through traditional "classroom" efforts and nontraditional methods such as sending our staff to work in organizations that produce housing and carry out community development; and

- streamlining our functions everywhere possible.

America needs an effective and efficient federal agency devoted to helping communities help themselves, and the Department of Homes and Communities will provide the right kind of support. *Where We Live* is a blueprint to make this possible. Section II describes the challenges this nation faces in building and supporting its communities. Sections III and IV describes the efforts already completed or currently underway to transform the agency. Section V goes beyond the initial reinvention and details the additional changes necessary to complete HUD's transformation into the Department of Homes and Communities.

HUD's initial reinvention and the further changes proposed in *Where We Live* will ensure that DHC is best prepared to tackle our Nation's toughest, most daunting problems -- and help provide American families their greatest opportunities -- into the new century.

II. THE CHALLENGE OF COMMUNITY

Much has changed since this agency was created in 1965 -- including the needs of the nation's communities -- but the federal government has not changed enough. The American people have grown impatient with, and distrustful of, large, inflexible and often wasteful government institutions. They demand and expect a government that is responsive to people and the issues they care about, that thinks and acts in new ways, and that makes a difference for the average citizen.

Recognizing these new realities, we at HUD and in this Administration have repeatedly pushed ourselves to think anew, asking and answering the basic questions:

- How important are homes and healthy communities to the well-being of the nation?
- Can the federal government help Americans build healthier communities?
- How can the federal government best work with market and financial institutions to strengthen homes and communities?
- What is the proper role for the federal government in working with state and local governments?
- How can we help poor people become self-sufficient?
- What is the best contribution that HUD can make?
- If HUD's role is useful, how can we reorganize the Department and its functions to better meet the real needs of our communities and citizens?
- If a home is a starting point for family stability and community involvement, how do we assure the availability of affordable housing and enable millions more Americans to become homeowners?
- How can we best streamline programs, decentralize authority and deliver results?

As we have pushed ourselves to answer these basic questions, we necessarily return to first principles, to core truths. These are some of our answers:

Our national well-being depends on strong communities. Individuals will not succeed in these turbulent times unless their community roots -- their families, their neighborhoods, their churches, their schools -- are strong. Building strong communities is a national endeavor, requiring partnerships among local governments, businesses, philanthropic organizations, and state and federal governments. The federal government contributes the following irreplaceable and value-adding dimensions to the nation's community-building endeavor:

- By affirming that healthy communities are in the national interest, the federal government nationalizes the quest, setting a standard and bringing the nation together in acknowledgement of this common purpose.

- By forming partnerships in a context of the market goals of free enterprise -- as HUD is doing to expand homeownership opportunities under President Clinton's National Homeownership Strategy -- the federal government can redouble the public good that emanates from the working of national markets and industries.

- By scanning the nation and highlighting the best practices and most successful community experiences, the federal government establishes a framework within which communities can accomplish things they could not otherwise accomplish, as is now the case with Empowerment Zones and Enterprise Communities.

- By targeting its resources, the federal government injects public capital to produce infrastructure and services that attract private investment, such as the economic development uses of Community Development Block Grants and the Economic Development Initiative programs.

- By directing national experience and resources to capacity building and training, the federal government can help community leaders and residents deal with complexity and adapt national knowledge and information for local uses, such as HUD's partnership with foundations to build the housing expertise of local community development corporations.

- By encouraging new alliances and dialogues, the Federal government can help communities work across city and regional boundaries and resolve area-wide conflicts and impasses, as is now occurring in the San Francisco Bay area, where a multi-county homeless strategy is emerging with the incentive of a HUD innovation grant.

- By standing up for the most profound of national ideals -- such as personal safety in communities, racial fairness and economic opportunity -- the Federal government can work with local institutions that prove themselves unable or unwilling to protect these basic ideals for individuals, as HUD has done in taking control of the Chicago Housing Authority and a Vidor, Texas, public housing development.

These are broad and philosophical assertions of the essential character of the federal government's role in building America's communities. These assertions find concrete expression only in action: in the actions of a HUD local office manager who helps a city about to lose a key industry determine how it can match a 108 loan guarantee with CDBG funds to save jobs; in the actions of the FHA analyst who understands a father and mother's sense of urgency about getting mortgage insurance for their first home; or in the actions of a fair housing officer who refuses to let an ethnic family be kept out of a neighborhood by slurs and threats.

These are the things HUD does. HUD is the federal department most clearly focused on communities and the task now is to strengthen that mandate by building on HUD's experience and assets:

- HUD is built to listen and act from the community base up and has the information technology and organization to bring a truly "place-based" capacity for analysis and action.

- HUD has the infrastructure of more than 70 offices in the nation's major cities, organized in a network to cover the entire nation and staffed by employees who are encouraged to be active problem-solvers in communities.

- HUD has an identity and a record of experience in the nation's communities, a franchise of substantial worth amassed in good times and in rough times by being the federal agency on the ground in the toughest neighborhoods.

- HUD has the responsibility for the nation's housing assets, which, beyond the physical geography of the communities themselves, are the most pervasive and tangible manifestations of community life, the homes where people live and the homes from which every other social improvement begins.

- HUD has the positioning to work with other Cabinet departments to create a sense of cohesion in the federal government's community-building strategies.

Since 1993 we have made enormous strides and are decisively winning the battle to prepare this agency for the 21st century. But we can and must do more if the federal government is going to do its part to build safe, strong and hopeful communities.

Because the days of national solutions from top-heavy bureaucracies have passed, we have accepted the task of replacing those structures with lean, effective and accountable public enterprises. To do that we must act with boldness and wisdom, finding the common-sense balance between cutting communities loose with no federal help and strangling them to death with federal regulations and red-tape.

This challenge is the classic tension that is as old as the nation itself. Certain public issues must be addressed for the nation's greater good, because they embody national ideals; but these issues frequently are, by their nature, difficult for communities to muster the will or capacity to address. For example, HUD adheres to responsibilities established in law -- addressing homelessness, transforming public housing, promoting fair housing, creating affordable housing and access to homeownership, and supporting community empowerment. These benchmarks of the nation's well-being are frequently contentious and politically unpopular as they emerge in local controversies. Hence, the challenge of HUD's commitment to decentralization is to achieve the value of maximum community authority without abandoning the ideals of the nation's common good. This is precisely why the federal government and the nation need people of skill and experience working <u>in</u> communities as well as <u>through</u> communities.

Simply stated, many of the pending proposals for the states don't go far enough. The result would be new bureaucracies in the state capitals which for practical purposes in communities are as distant as the Washington - based system. A time when basic assumptions about our intergovernmental system are being tested is not a time for stopping halfway. A truly effective national partnership must involve community leadership and local government as well as federal and state structures.

For these reasons, we have decided to refine and extend our reinvention proposals in 1996-7. We seek to change HUD's internal organization to be in support of, rather than dictate, community priorities. We propose to transfer decisionmaking and resources from federal officials to community organizations and leaders. And we seek to make our programs operate in a way that consistently reflects national goals of work and personal responsibility.

As an appropriate symbol of this stage of HUD's reinvention, the time has come to change the name of HUD to the Department of Homes and Communities. This is not a cosmetic difference. We propose to change our name because we are changing our mission and our methods, the business we do and the way we do it.

Our principal mission will be to help people and communities do for themselves.

Our principal method -- in keeping with President Clinton's community empowerment policies -- will be to put effective tools into the hands of communities so that they can help the homeless, so they can build and renovate housing, create jobs through economic development, and strengthen homeownership.

Facing the new century, we will ensure that all our actions support the foundations of economic and civic health -- families, churches, schools, and community development organizations. We have listened to the people in the trenches -- parents, teachers, policemen, community leaders, social workers, shop owners and church leaders. Based on their advice, we are turning ourselves "right-side up" to put this agency on the front lines of America's most perplexing community problems. The agency's name should describe its commitments and its approach.

Following are reports on HUD's major accomplishments, our 1995 reinvention effort and a description of our proposed 1996 transformation into the Department of Homes and Communities.

III. HUD'S REINVENTION ACHIEVEMENTS OF THE LAST THREE YEARS

For the past three years, HUD has questioned entrenched practices and conventional wisdom and understood that the American people deserve efficient, competitive service.

Using Vice President Gore's National Performance Review as a platform, HUD based its reinvention on five core principles:

- the importance of building partnerships between the public and private sectors;
- the need to improve service to customers by streamlining, consolidating and decentralizing programs;
- an emphasis on quality service and zero tolerance for negligence and poor performance in public and assisted housing;
- increased reliance on market-based solutions; and
- greater flexibility in devising workable resolutions to problems that affect Americans.

Many of our accomplishments are the product of a bipartisan spirit of cooperation between the Administration and Congress. In legislation such as the HUD Demonstration Act of 1993, the Omnibus Budget Reconciliation Act of 1993, the Multifamily Housing Property Disposition Reform Act of 1994, Congress agreed that HUD deserved the authority to trim bureaucracy, simplify regulations and restructure programs. The leadership of Senator Paul Sarbanes (D-MD), Senator Christopher "Kit" Bond (R-MO), Rep. Henry B. Gonzalez (D-Texas) and Rep. Marge Roukema (R-NJ) deserves particular mention.

The following are highlights from a larger list of accomplishments.

Building Partnerships

- The President's National Homeownership Strategy, launched a year ago, has built an unprecedented partnership among 50 leading real estate, housing and mortgage lending organizations to boost the national rate to an all-time high of 67.5 percent, adding 8 million new homeowners by 2000. This is not a traditional government approach; it does not require new government programs. Instead, it commits the partners to change the way the industries in the nation's housing sector work together to make buying a home easier for first-time buyers and working families. The President's strategy is already having an impact: national homeownership rates are up during the last two quarters.
- President Clinton's Empowerment Zone/Enterprise Communities initiative, begun last July, recognizes that partnerships among community leaders, public and private sector representatives and the federal government create the essential base from which sustainable economic growth can occur. Partners are using tax incentives, grants and loans, flexible use of existing federal programs -- and their own ingenuity -- to attract

private investments already worth billions of dollars, create thousands of jobs, and rebuild over 100 troubled communities.

- Government, nonprofit groups, businesses, and homeless people now work together to design coordinated strategies that aid homeless individuals and families. The "continuum-of-care" approach they create enables communities to provide coordinated outreach, transitional and permanent housing, and necessary social services, an improvement over treatment which relies on fragmented, emergency-based responses. Homeless service providers funded by HUD have increased from 236 in 1993 to 864 in 1995. The number of homeless people served by HUD grew from 234,000 between 1987 and 1992 to 1.2 million between 1993 and 1995.

Improving Service to Customers

- The time needed to process mortgage insurance applications has been cut from six weeks to one day in the Rocky Mountain and Southwest states, the result of an FHA reinvention initiative that consolidated operations from 17 HUD offices into the Denver Single Family Processing Center. Customers will save an estimated $4 million annually by receiving faster service. FHA is working to create similar centers across the nation so that all FHA customers can benefit.

- HUD's "Consolidated Plan" condenses 12 separate community development programs and applications into a single application and plan, streamlining the entire process and reducing lengthy and burdensome paperwork requirements. The plan gives local officials more creativity and flexibility. The most recent innovation in the process allows communities to skip paperwork altogether by submitting their plans in computer files.

- Homeowners will save $1.5 billion because HUD streamlined rules governing how lenders handle escrow accounts. New homebuyers will save $250 on average at closing because funds required for escrow have been reduced. Lenders say their costs will be cut, too, because HUD standardized the escrow process.

- Over 8,000 homebuyers have taken advantage of our newly streamlined 203(k) loan program, which lets buyers roll purchase and rehabilitation costs into a single home loan. Because our revisions reduced processing time and eased requirements, use of the FHA 203(k) loan is up 133 percent since the restructuring was announced in March 1994.

- HUD consolidated its major Native American programs under a single office, the Office of Native American Programs. Previously, Native Americans Nations had been required to deal with the separate HUD offices in charge of individual programs. This consolidation allows the Department to coordinate its Native American program activities more effectively, and improve communication with the Nations on a variety of program issues.

Quality Service: Zero Tolerance for Waste and Poor Performance

- The number of "troubled" major public housing authorities (PHAs) has been reduced from 19 to 12 as a result of HUD's efforts to fix problems at the nation's worst-performing housing authorities. In Chicago, Washington, D.C., Philadelphia, Detroit, Kansas City and New Orleans, HUD has either taken over management of the local public housing agency or is working closely with judicial receivers or the local political establishment to remedy serious management deficiencies. In the Department's most strenuous effort to turn around a troubled agency, HUD in June assumed direct control of the Chicago Housing Authority.

- Safety ranks among the top concerns of residents in any community, including residents of public and assisted housing. HUD is helping them rebuild secure communities through Operation Safe Home, which combats violent crime and drug traffic. Its successes include 5,500 arrests for crimes involving drugs and weapons, and confiscation of at least 470 weapons and drugs valued at over $2 million. Operation Safe Home, also, is another example of workable partnerships; HUD efforts are aided by local police and law enforcement officers from the Federal Bureau of Investigation, Drug Enforcement Agency and the Bureau of Alcohol, Tobacco and Firearms.

- A Special Workout Assistance Team (SWAT) created by HUD in September 1994 is cracking down on negligent landlords and building viable recovery strategies for troubled properties in the Department's multifamily housing inventory. SWAT teams have taken enforcement action on owners of 137 properties, ending their federal subsidies because the buildings failed to meet national housing quality standards or negotiating agreements to resolve problems.

- Quality service starts with quality people. When HUD cut total staff from 13,500 in January 1993 to its current 10,800 by reorganizing field offices and eliminating the regional layer, the Department made a new commitment to improve training of remaining staff. Higher productivity through training is essential as HUD pursues its objective of downsizing to 7,500 people over five years. HUD's Training Academy, launched in 1994, has expanded quickly to keep employees up to date on ways they can do their jobs better. The Academy formed 20 educational partnerships with universities, colleges and institutions across the country in FY 1995. About 1,500 employees participate in the educational programs.

- Our insistence on quality and intolerance for poor performance begins at home. At the beginning of the Clinton Administration, we inherited 50 material weaknesses, defined as areas where management deficiencies risked or caused financial losses. We've reduced that number to 16 today.

Market-Based Solutions

- Tens of thousands of jobs for low- and moderate-income persons will be generated by the Economic Development Initiative (EDI) grant program, which increases communities'

willingness to use Section 108 loans for economic development projects. Public-private partnerships to further job growth and development are sparked by the grants, which are expected to leverage $2 billion in private investment.

- An innovative public-private partnership between HUD and six pension funds resulted in the funds' investment in the construction or rehabilitation of apartments for 2,000 low- and moderate-income families in California, New York, and elsewhere. As part of an effort to create new partnerships to build housing, HUD also signed agreements with 31 state housing finance agencies to produce 30,000 units of affordable housing.

- Five sales of HUD-held multifamily mortgages and one sale of single-family mortgages in FY 1995 have generated more than $700 million for the federal treasury and cut HUD's inventory of multifamily mortgages by 60 percent since 1993.

- More than 70 mortgage banking firms have entered into "best practices" agreements with HUD in the last year, committing the firms to agree to expand efforts to lend to minority homebuyers, immigrant families and others who have been underserved in the past. The first firm to sign an agreement, Countrywide Funding, reported that mortgages they made in the past year to minorities increased by 217 percent.

Flexibility

- The most profound changes in public housing in three decades are occurring right now. In Atlanta, Charlotte and other cities across the nation, flexible funds provided through HUD's HOPE VI initiative and other programs are speeding the demolition of our worst public housing developments. In their place, attractively designed, economically integrated, less dense townhouses and apartments will be built. HOPE VI funds have been used to demolish about 8,200 units in FY 1995, with demolition scheduled for another 23,000 units in FY 1996. That pace compares with 20,000 units replaced in the last 10 years.

- HUD accelerated demolitions by seeking the repeal of the one-for-one replacement law, which was included in the FY 1995 rescissions bill. The one-for-one rule had forced housing authorities to replace each demolished unit with a new one, a very expensive mandate. We have used substantial numbers of Section 8 certificates to help families relocate from the worst units. And, we have invested substantial time and effort to break the gridlock in court over key demolitions.

- Homeless people are building independent lives off the streets in demonstration programs in Washington, D.C., Denver, San Francisco, Los Angeles and Miami. The innovative homeless grants test HUD's continuum-of-care approach in helping homeless people rebuild independent lives. The Miami initiative, for example, will increase transitional services to homeless people by finding them day-labor jobs and providing mental health counseling and health care and substance abuse services.

- Upon taking office, the Clinton Administration inherited a growing and troubled portfolio of HUD-owned properties, received as a result of defaulted FHA single family and multifamily mortgages. After working with the Congress to overhaul statutes slowing foreclosure on single family properties and the disposition of multifamily properties, FHA worked diligently to reduce its property inventories. At the end of FY 1995, the single family inventory was at a 10-year low and the multifamily inventory had been reduced by 60 percent in two years. By putting properties in others hands quickly, FHA stems their deterioration, mitigates community impact, and reduces FHA losses."

These examples of HUD's visible, measurable results are the product of a top-to-bottom commitment to change the culture of the agency and introduce a "can-do" attitude in every office. It has required changes in legislation, in rules, in management practices, in attitudes and in our organization. But we are beyond the beginnings of change; we are demonstrably underway. Our colleagues in our field offices tell us they can feel the difference and our partners in communities remark on the progress.

This has not been a solo effort. Without steady leadership from the President and Vice President, and collaboration with the Office of Management and Budget, we would not have achieved these results. Without the bipartisan assistance of Congressional leaders -- in both the 103rd and 104th Congresses -- HUD could not have secured the authority to change. That same bipartisan commitment to remake the federal role in helping communities will be necessary to complete the reinvention proposed in 1995 and to go beyond it in 1996.

IV. WHERE WE STAND: BLUEPRINT I

Late in 1994, HUD proposed a radical reinvention of the way the Department works and the way it serves its customers in communities across America. The reinvention plan had three components:

- First, to consolidate dozens of HUD's major programs into three performance-based funds;

- Second, to transform public housing by relying more heavily on the use of vouchers and certificates;

- Third, to reform the Federal Housing Administration into a streamlined organization that would make a significant impact on homeownership and decent, affordable rental housing.

The elements of HUD's reinvention is making substantial progress in the FY 1996 Appropriations bill, the 1995 Public Housing Reform Bill and the 1996 Reconciliation bill. HUD has worked with Congress on a bipartisan basis to see that our policy reforms become law. Final action on these pieces of legislation is pending.

Consolidation

HUD proposed to merge 60 narrow, categorical programs into three performance-based funds:

- a Community Opportunity Fund to stimulate community revitalization,

- an Affordable Housing Fund to support the production and rehabilitation of affordable housing, and

- a Housing Certificate Fund to provide direct housing assistance to low-income families.

The shift from dozens of specialized, "boutique" programs -- all with their own distinct rules and regulations -- to performance-based funds should free states and cities to solve their own housing and community development problems, using strategies that are created locally and respond to local needs. The consolidation is intended to sweep away the clutter of separate application procedures, rules, and regulations that has built up at HUD over the past 30 years.

The FY 1996 Appropriations bill reflects a bipartisan recognition of the need for greater program consolidation and simplification. As Figure I and Table I show, numerous categorical programs are not funded under the bill, leaving in place several major programs and support activities. Additional consolidation efforts -- particularly in the homeless area -- are deferred until authorization action is complete.

Transformation of Public Housing

The Administration proposed the most profound changes in public housing in the past three decades. While providing a stable supply of rental housing that is affordable to families with very low incomes, the current public housing system is plagued by a series of deeply-rooted and systemic problems. Public housing concentrates the very poor and actually penalizes residents who work. In many communities, concrete high rises have become vacant shells, scarring the urban landscape. Other projects are beset by crime and gang activity. Some 100-odd public housing agencies are highly troubled entities, plagued by serious management deficiencies.

The federal government itself has been part of the problem. Federal statutes and rules regulate every aspect of public housing, including admissions, rents, evictions, resident rights and relations, modernization, development and procurement. The system is awash in process and paperwork, in adhering to guidelines, and filling out forms.

The Administration is engaged in a comprehensive effort to fundamentally transform public housing, to essentially "end public housing as we know it." We want to encourage individual achievement and self-sufficiency. We see public housing as a platform from which residents can launch better lives by gaining the education and skills they need to improve.

HUD's Reinvention proposed a simple, yet profound, plan to transform public housing. Where the current system gives public housing agencies capital and operating subsidies to maintain projects, our plan proposed giving families rental vouchers that could be used in public housing or a private apartment of their own choice. Where the current system relies on a complex, complicated array of rules and regulations to oversee the performance of agencies, our plan relied on families to decide whether management has performed well.

By relying on the time-tested discipline of the market, HUD would have created a system where performance and results determined whether developments succeeded. In today's system, public housing authorities are funded whether or not their developments are of good quality. HUD rarely withdraws funding for fear of putting residents on the streets. As a result, housing authorities have insufficient incentives to perform.

But in a voucher system, residents would be truly empowered, that is, they would have the ultimate choice to use their buying power elsewhere if the housing authority proved it could not keep its developments safe, clean, repaired and competitive. Competition and comparison would be introduced into the system when the funding for public housing shifted from a guaranteed stream of revenues for monopolistic bureaucratic organizations to resident who would have the power to seek better living at the rent levels their vouchers allow. The pressure to perform would be focused where it should be, on housing managers who would face the same disciplines that encourage other property managers to keep their properties attractive.

The reinvention proposal envisioned an orderly and prudent transition to prepare agencies and residents for the shift to a market environment. In the initial stage, dozens of disparate programs would be consolidated and HUD would focus its attention on the 100 agencies that

continue to exhibit severe management deficiencies. Many of the basic laws governing public housing -- one-for-one replacement, federal preference rules, restrictions on the modernization program -- would be either repealed or dramatically altered. Only after a multi-year process would project-based subsidies be converted to certificates.

Legislation moving in Congress -- in both the appropriations and authorization committees -- adopts many elements of HUD's reinvention proposal, as Table II demonstrates. Reform legislation would spark a social transformation in public housing by championing work, self-sufficiency and responsibility. A series of reforms will enable local agencies to serve a mix of incomes in their developments and give dependent families role models: families that are living links to the working world. Congress appears willing to eliminate federal admission rules that have favored the poorest of the poor and changing current rent rules to encourage working families to remain in and move to good public housing. In addition, community service requirements would be imposed on non-working residents and admission and eviction requirements would be toughened.

Public housing reform legislation also would transform the physical face of public housing and help local agencies demolish tens of thousands of obsolete, uninhabitable public housing units. Reform legislation would repeal the rules requiring one-for-one replacement of demolished units and give local agencies the flexibility to use modernization funds to replace demolished projects.

Reform legislation would go a substantial way toward applying market discipline to public housing. Public housing agencies would be required to convert distressed and non-viable inventory to vouchers. HUD would be able to order the demolition of non-viable developments.

Finally, reform legislation would fundamentally alter HUD's relationship with public housing agencies: deregulating good performers, requiring firm action against troubled PHAs. Local agencies that exceed minimum performance standards would be relieved of detailed oversight and given broad flexibility in how they operate. This flexibility would be conditioned on meeting minimum standards for income targeting of assistance and achieving other performance targets. Failure to meet such targets would have serious consequences. Reform legislation would establish hard triggers that compel HUD to take over public housing agencies that are systemically troubled and give HUD enhanced powers in such circumstances.

FHA Reform

The third component of the reinvention sought to transform the Federal Housing Administration into a government-owned corporation that works more efficiently to make sure families can obtain the home loans and rental housing they need.

For 60 years, FHA has played a critical role in helping low- and moderate-income working families and first-time homebuyers obtain home loans, filling a niche that private-sector lenders would not, or could not, serve. But it is behind the times technologically and increasingly ill-equipped to manage its business. A new, government-owned Federal Housing Corporation proposed to transform today's FHA into a results-oriented, financially accountable credit-enhancement operation while ensuring its capacity to serve the homeownership and affordable rental needs of people and places that the private sector leaves behind.

These ideas are not part of a current legislative proposal, but we plan to make as many changes as possible without legislation, as we continue a worthwhile debate on the future of FHA.

A key part of HUD's reinvention plan for FHA is the "Mark-to-Market" proposal for federally subsidized, privately owned rental housing. The scheduled renewal of tens of thousands of project-based Section 8 contracts threatens a financial crisis; it also provides an opportunity to rethink and reconfigure the entire system.

A HUD survey of properties found that the current system oversubsidizes many properties, while denying renters the freedom to choose where to live. HUD's proposal would separate the Section 8 subsidy from the property, allowing market forces to set its value. During the transition to the market, owners will receive necessary statutory and regulatory relief; residents will receive rental assistance that they can use at their current housing or move elsewhere.

Mark-to-Market incorporates key elements of HUD's reinvention -- choice and market discipline -- and it responds to the American people's insistence that we break with the old ways of doing business that have not served communities, residents or taxpayers.

While Congress has not accepted HUD's comprehensive proposal (see Table III), lawmakers have emphasized the need to restrain Section 8 liability. The 1996 appropriations bill renews expiring Section 8 new construction project rental subsidies in current form only one year and gives the Secretary discretion otherwise to renew as vouchers.

V. BLUEPRINT II: WHERE WE GO FROM HERE

While we are encouraged by the successes of our initial reinvention, we must go further. In essence, we must finish what we started in 1994 because the evidence demands that we go further, because budget realities require a new way of doing business, and because proposals are under consideration which we believe will not serve the purpose of creating healthy communities.

It is clear that the move towards a balanced federal budget will have profound impacts on the federal government and the communities it assists. The FY 1995 rescissions law rescinded $6.5 billion in HUD funding; it is likely that FY 1996 funding levels will be further reduced. These constraints dictate that federal resources be stretched to the maximum -- by leveraging public and private resources, by allowing jurisdictions to use funds more flexibly and by administering programs in a way that enables more eligible families ultimately to receive assistance.

In addition, the past year has witnessed the introduction of several bills to block grant housing assistance to the States. Such measures have compelled HUD to re-examine conventional notions of which level of government governs best in the area of housing and community development. We have concluded that the answers to many community problems lie neither in federal nor state bureaucracies and that true devolution means giving communities themselves -- those closest to the problems and the people -- the power to design local strategies and the resources to implement such strategies.

Finally, there is growing bipartisan support for the proposition that federal programs be governed by a sense of reciprocity and conditionality, that federal assistance be used as a platform for self-sufficiency.

As a result, we propose a next phase of reinvention for 1996. The proposal calls us to:

- Go beyond program consolidation to empower America's communities;
- Go beyond public housing to transform all federal affordable housing;
- Go beyond FHA reinvention to a national commitment to homeownership;
- Create a "right-side-up" cabinet agency.

Following is a detailed description of our 1996 reinvention proposal.

A. Beyond Consolidation: Empowering America's Communities

As described above, HUD's initial reinvention proposed to merge 60 separate programs into three performance-based funds allocated directly to States and localities. HUD sought to give communities both the power to design comprehensive solutions to their own local housing and community development needs as well as the resources necessary to implement those strategies.

Given Congressional action on program consolidation, HUD now needs to take the next logical steps. We seek to complete the devolution agenda by:

- providing communities greater flexibility in the administration of HUD programs and greater incentive to form inclusive partnerships and comprehensive strategies at the local level;

- providing communities the tools they need to leverage private investment in job-generating activities;

- fostering cooperation at the regional level;

- consolidating remaining categorical programs such as the McKinney homeless programs;

- expanding federal efforts to address the needs of underserved communities such as Native Americans, colonias and farmworkers; and

- furthering fair housing.

- **Support Community Empowerment: Planning from the Ground Up**

Through reinvention, localities and states will receive predictable, stable streams of funding that can be used flexibly to address local needs. With this foundation, communities will have the incentive -- and the opportunity -- to develop strategic plans for housing and community investment that are tailored and responsive to the needs of their jurisdictions. They will actively design local programs, decide how funds are allocated and monitor the progress of local recipients.

HUD's consolidated planning requirements emphasize revitalizing communities "from the ground up." Jurisdictions are required to prepare five-year vision statements -- and one-year action plans -- for the use of federal funds. Strategies can be approved only after extensive citizen participation. The consolidation rules also require different segments of the affordable housing community (public housing agencies and HOME/CDBG recipients, for example) to prepare joint strategies for the implementation of federal resources.

This latter requirement is highly significant. In many communities, various housing entities operate in absolute isolation from each other, despite financing or even maintaining affordable housing literally on the same block or in the same neighborhood. HUD programs

often support this fragmentation -- by greatly limiting which entities are eligible to receive federal funds and the manner in which funds are spent. [See Figure II.] Public housing programs, for example, generally restrict their funding to public housing residents and developments, though the problems these programs are meant to solve -- lack of child care, heavy incidence of criminal activity -- are actually interwoven with those of the surrounding neighborhood.

HUD will, therefore, propose reforms to encourage meaningful collaboration and the forging of integrated solutions to local problems.

Greater Flexibility. DHC will seek legislative authority to give jurisdictions the flexibility to allocate HUD funds in ways that enable local problems to be addressed in a coordinated fashion. Specifically, eligible jurisdictions will be given the authority to "flex" up to 10 percent of each formula program to carry out integrated strategies. Programs covered by this flexibility option will include CDBG, HOME, public housing modernization, public housing drug elimination and the McKinney homeless programs.

In a particular jurisdiction, for example, local leaders may want to institute efforts that combat drug trafficking in an entire neighborhood, not only in and around public housing developments, as current public housing programs would restrict. The local leaders would be permitted to shift funding from one or more public housing programs to CDBG to accomplish this objective.

Jurisdictions will be able to take advantage of this flexibility option through the normal consolidated plan process and will, therefore, not require special approval. Specifically, interested jurisdictions will be required to include in their consolidated plan a description of: (1) the manner in which DHC funds will be combined and allocated; (2) how program flexibility will further the integration of housing strategies; and (3) how program flexibility will serve the intended program beneficiaries. The consolidated plan would also include evidence of approval by intended program recipients.

Towards New Community Partnerships. Some communities may want to go further than the flexibility option described above. Seattle's Mayor Norm Rice, for example, has called for the creation of "community partnerships" that, in exchange for enhanced planning, financial accountability and commitments to specific performance targets, would be encouraged to merge some or all federal housing and community investment resources into one seamless, integrated funding stream. In addition, Senator Hatfield has sponsored far-reaching legislation -- the Local Flexibility and Empowerment Act -- which would break down the rigid barriers between federal programs and allow for the reallocation of funds and the waiver of law and regulation where communities have developed comprehensive "flexibility plans".

We strongly support the creation of community partnerships in which government, intended beneficiaries, private-sector interests, community-based organizations, educational institutions and foundations develop a shared vision on how to focus and integrate government resources in the affordable housing and community development area. Such partnerships exist and work in other areas. In transportation, for example, the federal government has helped

create metropolitan planning organizations (MPOs). These entities develop comprehensive regional plans which coordinate transit and highway spending in a coherent way.

We will seek legislative authority to approve requests from communities for such extended flexibility. A community partnership initiative is a natural outgrowth of the empowerment zone/enterprise communities experience, consolidated planning and other Administration efforts to encourage integrated strategies at the local or regional level.

Communities interested in pursuing extended program flexibility would submit a community partnership strategy for review. Such a strategy would contain a plan for expenditure of DHC funds, describe the financial systems that would ensure accountability, and define the performance indicators that would measure progress. The strategy would also set forth the methods used to assure broad community involvement in decision-making, including new methods for connecting program beneficiaries and the larger community to the deliberations.

Jurisdictions could meet the test of community involvement in several ways. A jurisdiction might actually form an inclusive community partnership council to oversee preparation and implementation of the local strategy. Such a council could become the single recipient of federal funds for the jurisdiction in place of the multiple local entities now receiving direct funding from HUD. Membership on these councils would include, at a minimum, the key players in the housing and community development arena: government, nonprofits, advocates, public housing officials, lenders, and builders. Jurisdictions would be permitted to use federal funds to support the organizational needs of such councils.

Alternatively, a jurisdiction could establish a community advisory committee to advise the local government in developing a community partnership strategy. Such a committee could be responsible for conducting public hearings on the strategy and would review and comment on all proposed actions. Required membership on an advisory committee would mirror that of partnership council.

The Department would particularly encourage the formation of regional partnerships. Housing markets operate on a metropolitan, rather than jurisdictional basis. Local economies also tend to be driven by regional factors. Creation of regional collaborative arrangements enhance local efforts to address affordable housing problems, link low-income families to work and spur reinvestment in distressed areas.

Community partnerships will foster and encourage new ways to give community residents more say over their lives. These coalitions can build upon the successful techniques now being used to create community consensus and involve citizens who are not normally engaged in public decisions. Experiments in direct democracy such as deliberative town halls, citizen juries, electronic hearings, community asset mapping, deliberative telephone surveys and neighborhood focus groups are being tested by sophisticated community reformers. There currently exists A tremendous opportunity to link these technologies for direct democracy with the decisions of local, state and federal agencies.

DHC would negotiate a performance contract with the community partnership in order

to identify specific roles, authorities, financial accountability and performance measures and outcomes to which the community is committed. This contract could define rules that will govern a particular community's plan or merely adopt the national regulations that govern existing programs.

The funding stream would be committed for up to five years, subject to available appropriations, and would be fully flexible as long as there is evidence of adequate progress toward the targets and compliance with other contract terms. The Community Partnership would be allowed to engage in any combination of investments that were consistent with the legislative purposes of the existing programs, the community partnership strategy and the performance contract.

The performance contract would also describe the program evaluation that would be used to compare actual results with established goals and objectives. Significantly, the contract would identify bonuses or additional flexibility that would be provided if a community's performance was highly successful -- as well as the penalties if performance was seriously deficient.

DHC would provide technical assistance to any jurisdiction that expresses interest in developing a community partnership strategy.

Integration of Services. DHC will pioneer other ways of encouraging integration of services and comprehensive strategic planning at the local level. These efforts will build upon inter-agency and inter-governmental collaborations that are now being tested at the local and state levels. In Milwaukee and Indianapolis, for example, state and local governments are sharing responsibility for the administration of welfare reform and job training initiatives. Such collaborations are likely to be expanded in the event that decisions on welfare reform are further devolved to state governments, as under consideration by Congress.

DHC's plans for joint administration of related programs by one or more federal agencies is discussed below under the reorganiazation section.

Performance Measurement. Performance measurement in the reinvented housing and community development funds will hold states and localities accountable for results. Communities will be rewarded not for following federal rules or adhering to prescribed procedures, but for producing tangible benefits for low-income families and communities.

All DHC funds will set minimum performance requirements in areas such as low-income targeting, rate of expenditures, financial integrity, and compliance with applicable civil rights statutes. States and localities that receive funding must meet these basic performance standards.

In addition to minimum requirements, DHC will work with communities to develop performance measures that reflect excellence in program administration and progress toward local and national goals. The Consolidated Planning process will be strengthened and refined to support performance measurement, building upon the recent benchmarking process for Empowerment Zones and Enterprise Communities. Specifically, communities will use their Consolidated Plans to set multi-year outcome goals, and to establish output measures and targets

that track progress toward the achievement of these goals.

Outcome goals reflect changes in physical or socioeconomic conditions that a community ultimately seeks to achieve. For example, a city might decide to reduce the poverty rate in a distressed neighborhood from 20 percent to 15 percent over 10 years, or to reduce the share of families paying unaffordable rent burdens from 15 percent to 5 percent. These outcomes must be consistent with broad national program objectives, but will reflect local circumstances and community priorities.

Output measures track progress toward a community's long-term outcome goals. To illustrate, suppose a community made a long-term commitment to increase its homeownership rate by 5 percentage points over 10 years. The local Consolidated Plan would describe specific activities intended to advance this goal, and establish year-to-year targets for each activity. Examples might include the number of families participating in homeownership counseling, the number of first-time homebuyers receiving down-payment assistance, or the number of Section 8 recipients using their certificates to become homeowners.

States and localities will be responsible for collecting, maintaining, and reporting reliable data on outputs and outcomes. We will audit data collections periodically to verify their accuracy. Technical assistance and peer reviews will help communities build their capacity to define meaningful measures, collect reliable data efficiently, and report findings to the public.

- **Support Community Empowerment: Tools for Economic Renewal**

Over the past 30 years, HUD has become an agency almost exclusively focused on expanding affordable housing opportunities. By contrast, the agency's commitment to economic development -- to the "UD" in "HUD" -- has been highly erratic. With the exception of the Urban Development Action Grant program, there has been no sustained agency effort to generate private economic development activity in distressed areas.

Such federal engagement is desperately needed. Between 1970 and 1990, the number of people living in areas of concentrated poverty grew from 3.8 million to 10.4 million. These high-poverty neighborhoods cannot support the business and civic institutions necessary for a healthy community. Retail businesses close down, employers move elsewhere, civic and religious institutions find it impossible to survive. The city of Los Angeles, for example, has lost a third of its supermarkets since 1970; Boston has lost two-thirds.

Since 1993, HUD has been pioneering innovative methods to create jobs in distressed areas and provide new economic opportunities for small businesses and community development corporations. The premier breakthrough has been to combine flexible grants with federal loan guarantees backed by a community's CDBG allocations. This combination -- of Economic Development Initiative funds with Section 108 loan guarantees -- has triggered a virtual explosion of economic development activity in distressed communities.

HUD expects to guarantee close to $2 ***billion*** through the Section 108 loan guarantee program in FY 1995, up from $350.5 million in FY 1994 and $229.3 million in FY 1993. The

EDI program, likewise, have grown from $19 million in FY 1994 to $350 million in FY 1995. These federal resources have helped fund neighborhood food markets, retail and manufacturing centers, and start-up loans for disadvantaged entrepreneurs. They also have been used to expand small business loan pools. The leveraging of private sector investment and the generation of private sector jobs has been substantial.

Existence of these economic development tools is spurring additional innovations in financing of economic development activities. In Worcester, Massachusetts, for example, the Worcester Business Development Corporation will borrow $12 million in AFL-CIO pension funds to finance a facility for technical companies. The City will back the loan using the Section 108 loan guarantee as the source for any payments. This public-private pension fund partnership is a valuable tool that can significantly leverage private investment for community economic development projects.

We believe this enhanced emphasis on economic development must continue. In future years, we will consistently seek funding for both EDI grants and sufficient authorizations for Section 108 loan guarantees. EDI grants will be funded on a competitive basis to finance larger scale job creation and "brownfields" clean-up projects that are not adequately handled through the normal CDBG process.

- **Foster Regional Cooperation**

Today, just over half of all metropolitan jobs and almost 60 percent of metropolitan residents are located outside of central cities. Between 1977 and 1987, two-thirds of net employment growth in America's 60 largest metropolitan areas was located in the suburbs. Over the same period, the suburbs captured 120 percent of the net job growth in manufacturing, while central cities suffered absolute losses in manufacturing employment. As a result, manufacturing no longer provides an abundant supply of low-skill, high-wage jobs in central cities, or anywhere in America.

No neighborhoods in America have been harder hit by the restructuring of America's manufacturing base than the inner cities. The loss of jobs, the stagnation of wages, the intensification of poverty, and the outmigration of more affluent populations to the suburbs endangers the future of our cities and the nation.

The crisis of the cities is a crisis of economic function that extends beyond the city limit. Central city decline can paralyze metropolitan growth and development because urban problems translate into high costs and risks in the minds of business managers looking for places to locate and invest new capital. Because metropolitan regions need economically vital central cities to thrive and regional economies benefit from vital central cities, an important federal role is encouraging greater cooperation among cities and their suburbs in the development and implementation of coordinated economic development strategies that exploit regional competitive advantages to compete and win in the global economy.

Because of the importance of metropolitan regions as the building blocks of a thriving national economy, the Department has developed a project on the future of metropolitan

economic regions. This project will assess the economic mix of the largest 100 metropolitan area economies, the extent to which local public officials have adopted economic development policies that build on their competitive advantages, and the extent to which cities and suburbs coordinate public investments in economic infrastructure and workforce development.

The results of this project will enable the DHC to help communities supplement efforts to rebuild the local job base in the cities by supporting a coordinated metropolitan strategy to link people to jobs in the growing economy where the jobs are -- the growth clusters in the suburbs, airport complexes, industrial parks, office centers, beltways and loops and "edge cities."

- **Address Homelessness**

The new Department of Homes and Communities will continue to propose consolidating HUD's six McKinney homeless assistance programs -- Shelter Plus Care, Supportive Housing, Emergency Shelter Grants, Section 8 SRO, Rural Homeless Grants, and Safe Havens -- into a single Homeless Assistance Fund. Such consolidation would enable localities to shape a comprehensive, flexible, coordinated "continuum of care" approach to solving rather than institutionalizing homelessness.

Homelessness remains a significant problem in jurisdictions throughout the country. Experts concur that homelessness is not caused merely by a lack of shelter, but involves a variety of underlying, unmet needs -- physical, economic and social. Dealing with the problems of homelessness requires a comprehensive system of housing and necessary services for each stage -- from emergency shelter, to transitional housing, to permanent housing with supportive services as needed, together with a strong prevention strategy. Under the continuum of care approach, communities can develop seamless homeless systems to assist individuals and families in achieving independent living. The Center for the Homeless in South Bend, Indiana, for example, has implemented a model continuum of care program. [See Table IV.]

Our consolidation proposal will merge the six McKinney programs into a single performance fund, distributed to states and localities through a needs-based formula. States and localities will be permitted to choose from a broad menu of eligible uses and activities and will enjoy significant flexibility in administering the fund. Communities, for example, could choose to administer the fund directly or designate a public agency or nonprofit organization or consortium to administer it.

This proposal will require broad community participation in the development and implementation of the homeless strategy to facilitate comprehensive, effective and coordinated approaches to homelessness.

In 1996, HUD will focus special efforts on homeless persons with multiple diagnoses, particularly mental illness and addictions. They are the most difficult part of the homeless population to treat and, as a result, some communities and providers avoid housing them. This problem is an example of how it is in the national interest to care for a difficult population but that communities need incentives and assistance to do it.

We are developing an initiative with the Department of Health and Human Services to address the needs of homeless people with multiple diagnoses: in this case, homeless people with HIV/AIDS and mental illness and/or chemical dependency. Service to this population will be enhanced by a collaborative effort between HUD's Housing Opportunities for People With AIDS program and HHS' Ryan White Special Projects of National Significance program.

- **Support Native Americans and Other Underserved Communities**

There exist in our country special populations concentrated in definable geographic areas whose characteristics of extreme poverty and substandard housing are shocking. They are the Native American reservations, the "colonias" in the states along the U.S.-Mexico border, and farmworker camps in such crop-growing states as California, Florida, South Carolina, Washington, Michigan and Oregon. The unique character of their poverty and their remote locations defy solutions through our traditional programs and therefore require special action if the nation is to eliminate these most unhealthy and degrading of living conditions.

We will continue to support expansion and further consolidation of Native American programs. Native American governments, particularly smaller nations, have requested a consolidated formula funding mechanism with local flexibility. We will again request that 1.5 percent of HOME and CDBG be set aside for Native American communities; we will distribute these funds on a formula basis. Communities will be able to use these funds for a broad range of activities.

We will also continue to encourage the development of a Native American Finance Service Organization, originally proposed in 1994. NAFSO would provide technical assistance to Native American communities that wish to create Native American lending institutions, in order to provide primary mortgage lending as well as economic development lending. In addition, NAFSO would help to spur the creation of a secondary mortgage market by setting purchase goals for Fannie Mae and Freddie Mac. If these goals were not met, NAFSO would be authorized to engage in secondary mortgage activities.

We also will request creation of a special $100 million fund to assist underserved areas and populations. This fund would be authorized to provide grants to nonprofit entities and local units of government for housing development, infrastructure improvements, economic development, and supportive services targeted to farmworkers, colonias, and Native Americans. Funding eligibility would be made contingent upon applicants' demonstrated abilities to leverage funds from other public and private sources, including national housing intermediaries. We have demonstrated in our National Community Development Initiative and elsewhere the ability to use federal resources to leverage substantial private investments for priority needs.

- **Promote Fair Housing**

Since 1968, the Department has operated under an obligation to affirmatively further fair housing through all of its programs and activities. The commitment to fair housing will continue to infuse the Department's actions and operations. Fair housing efforts are inextricably linked to our goals of demolishing and replacing distressed public housing, using section 8 rental

assistance as part of a successful welfare-to-work strategy, and expanding rental and homeownership opportunities in the private market. We intend to maintain strong support for fair housing enforcement entities, both governmental and nonprofit, as well as counseling efforts in section 8 and other programs.

Responsibility for deciding how to comply with the constitutional and statutory obligation to provide fair housing will be implemented largely at the local level. HUD has already substantially devolved this decision-making to the local level through our consolidated plans requirement. Local jurisdictions are analyzing the impediments to fair housing within their communities and devising plans for overcoming these barriers based on their own circumstance and experience. The flexibility of the fair housing planning process reflects how important core values of a national housing and community development policy, such as fair housing and equal opportunity, can be effectively promoted at the local level. This process of responsible devolution will continue.

HUD has acknowledged that many of the problems of the distressed public housing inventory are attributable to the failure of the Department and local housing authorities to affirmatively further fair housing in the past. Discriminatory site selection that isolated the poor in blighted, neglected neighborhoods, tenanting policies, and management practices often undergird the worst of the obsolete projects. As these developments are demolished, the mistakes of the past will not be repeated. Consistent with principles of devolution, sites for redeveloping public housing will be selected using flexible guidelines which ensure that housing will only be rebuilt in healthy communities that provide opportunities for economic and social advancement.

B. Beyond Public Housing: Transforming All Federal Affordable Housing

HUD's first reinvention proposed a profound plan to transform public housing. As discussed above, Congress and the Administration are working together on four critical elements of this effort:

- Changing the social dynamic through work, self-sufficiency and responsibility;
- Demolishing and reconstructing the troubled stock;
- Imposing market discipline on what has been a highly bureaucratic system; and
- Insisting on performance accountability in HUD's relationship with public housing agencies.

Upon further review, HUD has concluded that its initial reinvention plan did not go far enough in two respects. On one hand, the principles described above apply in various degrees to other rental housing subsidy and insurance programs administered by the Department. HUD's transformation efforts, therefore, need to move beyond public housing to embrace section 8 tenant-based assistance and the restructuring of the older subsidized inventory.

In addition, the critical shortage of affordable rental housing in many communities requires a sustained federal response that learns from the design mistakes that have plagued the older programs. HUD and its myriad partners are pioneering a new model of affordable housing development and financing that builds upon coherent local strategies, relies upon responsible local institutions and embraces market discipline. HUD and the federal government brings to the table a number of critical tools -- FHA multifamily mortgage insurance, the low-income housing tax credit, capital subsidies under the HOME program and tenant-based rental assistance -- which, in combination or alone, are producing a more durable, more responsive generation of affordable housing developments.

Fixing the Past: Transforming All Federal Housing Assistance

- **Continue to Transform Public Housing into Communities of Opportunity**

Public housing is one of the most perplexing areas of HUD's work. It is viewed by many Americans as a total failure, as the perfect symbol of a failed government effort. And it is easy to understand that assessment based on conditions in the most troubled big city developments. Standing in places such as the Hayes Homes in Newark -- its apartments largely vacant and totally ruined, its ground littered with glass and debris, and its hallways once the places where children played now shooting galleries for the glazed-eyed addicts who depend on the opened drug market -- one has to wonder how it is that things went so wrong in America. The voices of the mothers at the Robert Taylor Homes who beg in desperate tones, "Please make the shooting stop, -- ought to confirm a national commitment to give their children a chance, which they do not have in such a place. The list of the most troubled public housing authorities stands at about 95 and includes those of Philadelphia, Detroit, Chicago, Atlanta, New

Orleans, and Boston.

But for everyone of the nation's troubled housing authorities, there are literally 33 which do a decent and in some cases excellent job of providing safe and uplifting housing. There are 3,400 housing authorities in the nation. Ninety-five are graded as "troubled" on HUD's housing quality and management evaluation system. That means that more than 3,300 do a good job of carrying out the critical task of housing those poorest of Americans, those who have very low incomes and for whom other housing is simply not affordable or available. Figure X shows the evaluation scores of the 10 best performing housing authorities, the 10 worst, and the scores for the nation's 30 largest cities. Clearly these evaluations present a mixed picture. But several general observations can be made:

- The population of public housing has gotten steadily poorer, in violation of what most experts believe is the inviolable maxim of multi-family real estate management -- achieving a mix of incomes. Because of federal rules dating from the 1970s, public housing managers have been required to select tenants from among the very poorest of Americans, including the homeless who frequently have no income of any kind. The result is the average income of persons in public housing has been decreasing. In 1980, the average income of families in public housing was 35 percent of the area median income; today it is below 17 percent, which is in the most severe of poverty categories. The concentration of the poorest families creates problems that predictably become unmanageable and the larger the public housing development the more complex the problems. Any effort to correct the problems of public housing must include a reassertion of the primacy of income integration by giving opportunities to working families.

  Such a strategy obviously raises question of what to do with those very poor who would be without housing if more working families are admitted. The answer is that the nation must confront the shortfall of affordable housing and expand its availability, but to perpetuate the present trajectory of decline in public housing is not a valid response for poor families, for communities, or for the nation.

- The architecture and physical location of much public housing is wrong. The stark high rises in the nation's largest cities are the product of post-war architectural fashions which assumed that if such utilitarian buildings could work in Europe they could work in the United States. Inhuman scale matched to low-bid construction methods and physical isolation created a sure-fine formula for failure. In many cities the location decisions were driven by racial politics and fears so that the developments ended up walled in by freeways or on sites distant from community institutions. As the cities have lost manufacturing plants over the 1970-80s, many public housing developments remain in the midst of obsolete industrial districts without the blue-collar jobs that once sustained their families.

  Any strategy of helpful change must replace the high-rises with smaller scale, architecturally appropriate designs such as townhouses, with lesser densities and with support services to faster self-sufficiency.

- Critics frequently attack the work patterns and mores of the families in public housing; their attack is badly aimed. The real problem is the system -- a web of rules and practices -- which pushes people in the wrong direction, imposes perverse disincentives, and daily crushes their ambitions and spirits. Among the most inspiring stories of human affection for children and striving self-improvement are the examples of many single-mothers in public housing. They work several jobs, they guide their children, they protect them from harm, and they provide leadership for resident activities. But they find that when they work, their rent goes up so rapidly that they have less disposable income than if they didn't work. In order to go to school or to training programs they need child care, which is non-existent. To shop for food and necessities, they must carry little children long distances on public transportation because the only shops in their neighborhood are liquor stores and check cashing outlets. And they are in a constant desperate struggle to communicate with their adolescent sons and daughters to keep them away from the groups who control the very buildings in which they live. Few Americans -- even the most principled, the most self-assured, the most self-reliant -- could prosper if placed in the same financial, racial, and life circumstances as these families.

  What these families need is help to climb up, to lift themselves; what they don't need is a system that pushes them into dependency. The destructive patchwork of rules and practices must give way to a system that builds on the realistic, positive dimensions of human nature. Work should be rewarded. Families should be helped to help themselves. And conditions set so that families are guided along a path that expects effort toward self-sufficiency, then affirms it and rewards it.

  A popular line of argument is that public housing should be summarily ended. The argument holds that it can be sold off or that the government can simply get out of the public housing business. But that position fails to address basic realities:

  - How can the physical assets of 3,400 local housing authorities - 1.2 million apartments - be sold to private property managers at anything like the value of the physical and financial investment they represent? If they are sold, will private managers keep units affordable, so that poor people can have places to live?

  - How can public housing be sold to residents who have little or no income? And even if it were conveyed at no cost, could residents afford the costs of basic maintenance and major repairs?

  - If the units are sold so that they go to individual owners instead of being available to turn over as rental apartments, than what housing is available to house the very poor? If the nation is not producing enough affordable housing units and no new vouchers are available because of budget constraints, then doesn't moving public housing units out of rental circulation effectively freeze out the poor completely?

  These questions and others lead to conclusions that seemingly walking away from all public housing as a nation is not a realistic option. The challenge is to fix it: to change the rules in order to create positive family opportunities, to demolish the worst sites and

modernize those that need improvement, and to cease federal micro-management and allow local ingenuity to flourish. The challenge is to fix public and housing to put in place a positive system for residents, managers and communities so that it stays fixed.

HUD will continue to refine proposals and implement initiatives that transform public housing into a platform for individual achievement and advancement.

Creating a Dynamic of Self-Sufficiency. The existing dynamic of public housing rules as they operate today is very often negative. Rent rules discourage work; lease policies destroy family stability and create a climate of subterfuge and deception; isolation from support systems results in multi-generational dependence and submission. Our highest priority in public housing is to change the social dynamic to create a platform from which people can push off to a life of self-sufficiency, even if today they need a place to live. The dynamic we seek to create is a lifting effect for people who want to help themselves. We are changing a web of rules and policies:

- requiring tougher screening to weed out drug and criminal activities;
- revising admission policies to meet locally designed preferences, including preferences for working families; and
- changing rent rules to encourage people to work and assuring that they can keep their newly earned income.

Only by changing the basic social dynamic will our other efforts to transform public housing possibly be successful. We cannot fix buildings as fast as they can be destroyed if criminal activity dominates, if young people are completely alienated, if families are splintered, individuals are desperate, and hope is non-existent. HUD's housing programs must be governed by a sense of reciprocity, of conditionality. The government stands ready to help people who need help, but that assistance requires reciprocal responsibility; it embodies conditions that people do all they can to help themselves and to build a positive community. Two examples of how DHC will apply this approach follow:

First, we will seek to revise public housing laws in a way that promote self-sufficiency and condition certain forms of assistance on exemplary behavior. Several local initiatives have emerged that recognize the importance of connecting fathers, for example, particularly teen-age fathers, to the ongoing health and development of their children.

Baltimore's Healthy Start program, to name one, helps train and employ African-American males to perform lead abatement in private rental housing. Participants in the program are required to attend prenatal and pediatric appointments, and fatherhood and family development sessions. Participants also attend support groups, in which they work through personal issues of drug dependency, gang involvement and unemployment. DHC plans to pursue initiatives that condition an individual's participation in job training and employment programs on the person's commitment to providing economic and emotional support for his children. Economic opportunities for participants will be generated by targeting existing HUD funding for

lead abatement as well as public housing construction and rehabilitation. Other federally funded contracts in the participant's community could also be targeted.

Second, HUD is working to transform selected public housing developments into avenues for educational achievement and job advancement -- what we call "Campuses of Learners." On these campuses, public housing agencies link up with local schools, universities and training centers -- many of them already located in the same neighborhood as the housing developments -- to help residents achieve more promising futures. The initiative stresses reciprocity by requiring residents to participate in educational and job training programs. Residency is also time-limited; upon completion of campus programs, residents are assisted in moving into private housing and securing employment.

We plan to jump start the Campus of Learners initiative in FY 1996 by requiring all applications for redevelopment under the public housing capital program to build in educational, technological and job linkages. Public housing agencies will need to build viable partnerships with local educational and job placement institutions to be eligible for funding.

Transforming Public Housing Developments. Approximately 100,000 units of public housing continue to be severely distressed, requiring over $50,000 each to meet capital needs. The Administration is moving as quickly as possible to demolish these high-cost units. Much of this can be accomplished within the next three years. These demolitions will literally change the urban landscape and spur economic redevelopment.

In some of these cases, residents are being given rental vouchers to live in better housing in the private market. In other communities, a new form of public housing is being tested: small-scale, economically integrated, townhouse-style housing that is indistinguishable from privately owned housing in a community. Public housing agencies are being encouraged to develop economically integrated communities in partnership with for-profit and nonprofit developers.

Imposing Market Discipline. Legislation under consideration by Congress would use a market test to constrain costs within the public housing system. Public housing agencies would be specifically required to convert a certain portion of their inventory -- those large, densely constructed projects experiencing costs in excess of market rents -- to tenant-based rental assistance. Such mandatory conversion will be essential if public housing expenditures are to fit within the tight fiscal constraints imposed by a balanced budget.

The Department intends to implement these provisions aggressively. The excessive costs of a small portion of the inventory cannot be justified in the current budget environment. The Department notes that these mandatory conversion provisions will have little or no impact on the great bulk of public housing agencies. Well-managed PHAs would continue to operate under the current operating subsidy system.

In addition, DHC will experiment with using competitive bidding procedures in troubled PHAs to determine whether subsidy costs can be lowered by contracting out management of single or multiple developments.

Accountability to Taxpayers. DHC will use its experience in Chicago, Washington, D.C. and elsewhere to overhaul those public housing agencies that are systemically troubled. Administration of the Section 8 program will be privatized in those communities, such as Chicago, where rental assistance has been persistently mismanaged. Use of private and resident managers will be substantially expanded in non-performing public housing agencies -- whether such agencies are under judicial supervision or HUD oversight. And, we will pursue the breakup and decentralization of large, troubled public housing agencies.

- **Use Vouchers As a Path to Self-Sufficiency**

We are committed to ensuring that its tenant-based rental assistance program becomes a more potent instrument for helping families achieve economic independence. Two decades of experience with Section 8 shows that tenant-based housing assistance is an extremely effective mechanism for meeting the urgent housing needs of low-income renters.

Nevertheless, the goal of helping low-income families exercise full and free housing choice remains elusive. Onerous program rules discourage many private landlords from participating in the program. Subsidy recipients rarely receive the counseling or information necessary to understand or take advantage of their full range of housing options.

Other structural deficiencies exist. The program, for example, is administered by public housing agencies that operate within tightly drawn political boundaries -- rather than the metropolitan marketplace -- further circumscribing resident choice. PHAs often operate in isolation from government agencies charged with the delivery of welfare or job training services.

In some communities, the combination of these and other factors has led to a concentration of section 8 recipients in fragile, low-income neighborhoods -- less substantial than public housing but destabilizing nonetheless. Serious problems have particularly arisen where lax PHA administration of the program has allowed bad landlords and bad tenants to behave with impunity.

We will pursue a two-pronged strategy to address these problems and enhance the role of Section 8 as an antipoverty tool.

Avoiding Undue Concentration. We will recommend a series of program reforms and administrative actions to avoid the undue concentration of section 8 recipients. First, the Department seeks to attract a greater number of responsible landlords into the program and increase community receptivity to Section 8 recipients. To this end, the FY 1996 appropriations bill is likely to repeal the (1) "endless lease" and 90-day notice provisions that prevent owners from getting rid of bad residents by simply failing to renew the lease; and (2) the "take one, take all" rule that has increased the risk involved in accepting the first Section 8 family. Recent rulemaking has also permitted owners to require whatever security deposits are the community standard and has eased the ability to evict problem Section 8 tenants. We intend to promulgate additional rules to deny Section 8 assistance to families previously evicted for cause and whose members commit drug-related or violent crime.

Second, the Department will intervene early in those communities where program concentration and irresponsible behavior by Section 8 families and owners become problems. The 10 Secretary's Representatives will specifically be empowered to convene task forces composed of community leaders, elected officials, program administrators and HUD staff. In some circumstances, representatives from more than one jurisdiction will be included. The task force will determine the nature and extent of the problem and forge collaborative responses where appropriate. A series of remedial tools will be made available to the Secretary's Representatives, including the ability to impose ceilings on the number of Section 8 residents that would be allowed to live in particular buildings, blocks or census tracts.

Third, the Department will take aggressive action against public housing agencies with badly managed section 8 programs. The recent development of the Section 8 Management Assessment Program ("SEMAP") will enable us to rate the performance of public housing agencies in the rental assistance area. As in public housing, agencies deemed to be troubled entities will be given a short period to remedy management deficiencies. In the absence of sufficient progress, HUD will contract out the administration of the Section 8 program to competent public or private entities.

Using Section 8 to Empower Families. We will recommend a series of program reforms and administrative actions to link Section 8 more closely to economic independence efforts. First, the Department seeks to ensure that Section 8 recipients make **informed choices** about where to live. This is particularly important for families who receive a certificate and desire assistance in finding housing in areas with access to jobs, good schools and other suppports.

Therefore, beginning in FY 1996, we will fund regional providers of housing counseling, landlord outreach and tenant screening. Counseling will go beyond the provision of information on rental vacancies in the metropolitan area to include facts on job availability, schools, transportation and other services. This "opportunity mapping" will enhance the program's ability to help welfare families make the transition to self-sufficiency and help working families stay working. HUD will require regional entities to demonstrate collaborative arrangements between job training, welfare and housing providers.

We will also work to make Section 8 recipients aware of affordable rental housing that has been developed with government subsidies. HOME and the low-income housing tax credit, in particular, produce rental housing that is generally located in areas with access to economic opportunities. The FHA insured and assisted multifamily rental stock is another potential source of broader housing opportunities. We will propose regulations that will link the marketing strategies of these affordable housing developments with the counseling strategies described above.

Finally, we are proposing a major welfare-to-work initiative in FY 1997 that will use 50,000 incremental rental certificates in direct support of welfare reform. These certificates will make it possible for assisted families to obtain affordable housing in residential areas of their choosing anywhere in the metropolitan housing market that may be closer to job opportunities. Evidence has shown that -- with proper screening and support -- living in areas of job growth can increase the likelihood of economic independence for poor families.

- **Mark-to-Market the Older Assisted Inventory**

From 1965 to 1983, HUD subsidized the development of privately owned multifamily apartments by providing low-interest loans, by insuring mortgages made by private lenders, and by furnishing project-based Section 8 subsidies to pay rents. In most cases, HUD both insured the private-sector mortgage and provided project-based rent subsidies. In those cases -- about 9,000 properties -- HUD and the tenants it serves face a crisis and an opportunity. The crisis looms because 60 percent of Section 8 contracts will expire by 1999. In about a third of the properties, HUD pays rents that are higher than rents charged by unsubsidized buildings in the same neighborhood.

Absent HUD action to address this crisis, two outcomes were likely: Congress would appropriate funds to renew the Section 8 contracts at their current levels, with these renewals eventually consuming a major share of all HUD funding; or Congress would refuse to appropriate sufficient funds, reducing the rental income for these properties. As a result, owners could be expected to default in large numbers on their FHA-insured mortgages, producing massive losses for the FHA fund. In an unmanaged situation of this sort, we estimate that the loss to the FHA fund would approach $15 billion -- 60 percent of the $25 billion mortgages outstanding.

Recognizing that neither outcome would be responsible, HUD proposed reducing over-subsidized Section 8 contracts and FHA-insured debt on these properties. FHA has been working over the past 10 months with Congress, the Office of Management and Budget, and constituency groups to further develop this concept, called "mark-to-market." As a result of this work, the Conference Report of the FY 1996 Appropriations Bill contains legislative language that authorizes HUD to take certain reforms in the way it treats apartment buildings that have both FHA insurance and project-based rental assistance.

FHA believes that the coming wave of Section 8 renewals and the Congressional direction to carry out reforms represents an opportunity to let FHA improve service to tenants and neighborhoods, reduce federal costs, and more efficiently use its most important resource -- its staff. FHA is proposing to re-engineer this program by changing the relationship between DHC and building owners. By ending the current system of inflated Section 8 subsidies, we will motivate owners to view tenants -- not the federal government -- as their true customers. To convert to market-based rents, however, DHC must simultaneously reduce the underlying mortgages to levels sustainable in the marketplace.

Reducing the size of existing mortgages will require us to pay the lenders of those mortgages a partial payment out of the FHA mortgage insurance fund. A partial payment will equal the reduction in the amount of the FHA-insured mortgage. The goal of mark-to-market is to leave all responsible owners with the ability to sustain the remaining mortgage through the payment of market-derived rents by tenants, with HUD continuing to provide Section 8 assistance to those tenants.

Preparing for the Future: Finding New Ways to Produce Affordable Rental Housing

DHC's mission must go beyond ensuring that the traditional public housing and section 8 programs provide quality, affordable housing that helps low-income families make the transition to self-sufficiency.

In too many American communities, large portions of the population -- people working in low-paying jobs, the elderly poor, persons with disabilities -- are unable are unable to find a decent, affordable place to call home. At the low end of the rental market the supply of affordable housing simply does not meet the demand of renters with inadequate incomes. For those lucky just to have a home, housing is often too expensive, overcrowded, or woefully substandard.

The statistics are unrefutable:

- America went from a surplus of 400,000 affordable housing units in 1979 to a shortage of 4.1 million in 1989.

- Between 1989 and 1993, the number of very low-income renters with acute housing needs -- defined as those paying more than 50 percent of income for rent or living in severely substandard housing -- rose by 700,000, from 4.9 million to 5.6 million.

- Some 43 percent of very low-income households paid more than half their income for rent in 1991.

The federal government has an important role to play in increasing the supply of affordable rental housing. Only federal leadership can mobilize the sustained nationwide action that is needed to provide more affordable housing. Federal leadership is needed to achieve a coherent package of tax policies, capital investment, rental assistance, mortgage insurance, oversight of the secondary market, and effective incentives for other sectors. We are convinced that the impact of limited federal funds can be greatly multiplied by the resources of states, communities, private industry and non-profit organizations.

Yet, as the previous subchapter illustrates, DHC cannot simply replicate the programs or administrative designs of the past. As the mark-to-market discussion illustrates, the older model of project-based subsidies was flawed on several counts.

- It was too costly, providing multi-year, project-based rental subsidies rather than up-front capital subsidies.

- It denied people choice, since families who choose to move lose their assistance no matter how serious their contuining housing needs.

- It made the federal government the sole risk-taker, since owners received automatic rent adjustments and the government was on the hook to make up operating deficits and meet physical renovation needs over time.

- It provided little incentive for management excellence, since subsidies neither varied with

housing quality, level of services or tenant/income mix.

For the past half decade, HUD and its myriad public and private partners have been pioneering a new model of affordable housing development and financing. This new model builds on three major tools: FHA multifamily mortgage insurance, the low-income housing tax credit and the HOME program.

The new model is **locally driven**, devolving investment decisions to state and local housing agencies that now administer tax expenditures and other housing subsidies. We now recognize that the goal of affordable housing requires long-term strategies that are tailored to local housing markets, which differ profoundly from one another. Localities experiencing substantial growths in population may need substantial production. Other localities may need efficient, small-scale rehabilitation. The variations are endless.

The new model is **partnership driven**, building on a strong national network of creative institutions -- each mastering its local conditions, taking different approaches, using different techniques and mobilizing different resources. In recent years, imaginative housing partnerships have formed throughout the country. They are bringing together new alignments of state and local governments, private industry, non-profit organizations and community groups to preserve and expand the supply of affordable housing. They have been finding better ways to meet the soaring need for low-income and moderate-income housing.

The new model is **market driven**, devolving underwriting decisions to local actors that are more familiar with local markets and, in many circumstances, are willing to take a portion of the risk associated with the development of affordable housing. Most significantly, affordable housing built in this fashion does not involve project-based rental subsidies but rather is open to low-income families with portable rental vouchers. These families will have the ultimate market power; if they don't like the housing, they will be able to move. Owners will have to compete for their business, just like private landlords serving higher-income families.

FHA Multifamily Mortgage Insurance. FHA's multifamily mortgage insurance helps encourage the private sector to provide capital to finance affordable rental housing for these families. Since 1987, FHA's multifamily program have helped finance more than $7 billion of unassisted rental housing -- more than twice that of Fannie Mae and Freddie Mac combined during that same period -- at minimal cost to taxpayers. In Fiscal Year 1994 alone, FHA insured $2.6 billion in multifamily mortgages, producing and/or preserving 86,000 unsubsidized units.

FHA is taking a number of actions to expedite the processing of FHA's multifamily insurance, which in the past took months -- even years. Recent administrative reforms have produced FastTrack, high-speed processing for experienced lenders in which the lenders perform many of the steps. FHA multifamily also is experimenting with concentrating expertise in certain products in various offices, allowing field staff to develop specialized expertise. FHA will continue its field reorganization to accelerate the specialization of functions.

The greatest promise, however, lies in enhanced authority to share risk with other

partners who have skills, expertise, and knowledge of local housing needs. Properly designed, risk-sharing matches the benefits of Federal credit enhancement with the capacity, technology, and entrepreneurship of the private sector partner. This arrangement promotes efficiency and provides the taxpayer with further protection against losses.

While FHA's multifamily activity primarily is geared to large projects, smaller properties in older urban areas increasingly provide the best opportunity to house people affordably. However, rehabilitation and reinvestment in these smaller properties is unattractive to investors due to the costs involved. By developing a "pool" insurance product -- bundling groups of small properties together, insuring them and selling them to a secondary market -- FHA helps bridge the gap between investors and the owners of these smaller properties, restoring a vital source of affordable rental housing stock in many communities.

A by-product of FHA's multifamily insurance business are mortgages and properties received when property owners default and lenders assign the mortgages to FHA. Historically, FHA has been a poor asset manager. With too few staff to properly manage these properties, HUD became a notorious slumlord. Recent reforms allow FHA to dispose of properties more quickly, returning the housing to quality private management. And by selling mortgages when they are assigned to FHA, rather than foreclosing on the properties, FHA has begun quickly returning assets to private hands that can better preserve the properties and improve their financial health, stabilizing buildings that are home to thousands of Americans.

The Low-Income Housing Tax Credit. Since 1986, the low-income housing tax credit has become an integral component of the Federal effort to provide adequate, affordable housing for low- and moderate-income Americans. Since its inception, the program has helped produce nearly 800,000 rental units. Today it accounts for one out of five apartments constructed and virtually all new apartments built for low-income renters. On an annual basis, it finances the construction or rehabilitation of 90,000 to 100,000 affordable apartments and generates substantial economic benefits -- 90,000 jobs, $2.8 billion in wages and $1.3 billion in tax revenue.

The low-income housing tax credit was designed in the mid 1980's as a substitute vehicle for the development of low income housing. The new program would be free of federal bureaucracy, run by the states under broad guidelines and market driven to encourage investors. It would also encourage the involvement of corporations in their communities through investments that made sound business sense beyond any social value.

The Credit represents a parallel to the reinvention that HUD is undertaking and the goals of empowerment. HUD wants to see states, communities and people make their own decisions about housing in a market driven context. A satisfying result of the credit's implementation has been the growth of the community development corporation made up of local residents joining together to use the credit to encourage investors to help them take charge of their own community with a minimum of government interference.

The HOME Program. The HOME Investment Partnerships program was created in 1990 to expand the supply of affordable housing through flexible partnerships between Federal, State

and local governments, non-profits and the private sector. Under HOME, State and local governments prepare affordable housing strategies tailored to their own markets and design and implement housing programs consistent with those strategies.

Since 1992, 81,231 rental units in cities and towns across the nation have been built or rehabilitated with HOME funds. Local governments can use flexible HOME grants to provide tenant-based rental aid if housing stock in a local region is available. HOME funds also can be used to provide homeownership opportunities, but just over half of the formula funds are used to provide increased rental options.

Housing for Special Populations: the Elderly and Disabled. HUD's traditional 202 and 811 programs provide access to capital for housing for the elderly and disabled. Specifically, HUD provides capital grants and rental assistance to finance homes for those with special needs. This year, HUD sought greater flexibility in the terms and length of the rental assistance contract, to make scarce funds go further and provide for greater income mixing. Flexibility sought also would allow HUD funds to leverage more private investment. If the legislation sought is signed into law, HUD will streamline and modernize this program as the new provisions are implemented.

FHA's Section 232 mortgage insurance program also makes available a continuum of housing and care options to meet the changing needs of very old and frail elderly. Facilities supported by Section 232 include nursing homes, assisted living facilities, and board-and-care homes. As the health care industry evolves and national health care policy is reformed, FHA will work closely with industry leaders, health care and service providers, and insurers, and state agencies, as well as advocates for the elderly, to assure that these programs offer the flexibility necessary to meet the needs under changing conditions.

C. Beyond FHA Reinvention: A National Commitment to Homeownership

Homeownership -- long the American dream -- is the ultimate step in the ladder of housing opportunity for our citizens. For many, it is the top rung of a climb that begins with rental housing. For some, this means renting with the assistance of the government -- be it through public housing or Section 8 vouchers. (See Figure xx.)

Homeownership remains one of the most important vehicles to create wealth in our society. For many Americans, home equity is the principal way they finance major purchases, such as medical bills and college educations. Homeownership is also a way to feel a sense of "ownership" in the community. When you own a home, you care about your neighborhood, your schools, your civic leadership.

Homeownership is also a bulwark of healthy, thriving communities. Community building efforts -- like the Enterprise Foundation's Sandtown-Winchester demonstration in Baltimore -- recognize that the number of homeowners is one of the key indicators of neighborhood health. Increasing homeownership, therefore, can be a tool to reclaim abandoned neighborhoods and stimulate business creation and private investment.

Yet homeownership has become a dream denied or deferred for too many, particularly for young families, lower-income families, and minorities.

- Ownership rates for families headed by persons age 30 to 34 fell significantly during the 1980s, from 55.4 percent in 1983 to 50.8 percent in 1993.

- The homeownership rate among lower-income families with children fell from 37 percent in 1979 to 29 percent in 1989.

- Homeownership rates are substantially lower for minorities than for whites. In 1993, 43 percent of all African-American and 40 percent of all Hispanic households were homeowners, compared with 70 percent of all white non-Hispanic households.

A year ago HUD proposed a fundamental reform of the Federal Housing Administration as a way to enhance homeownership opportunities for Americans locked out of the conventional market. Since then we have significantly raised our sights. Responding to a challenge from President Clinton, we have forged a coalition of more than 50 public and private entities in the homeownership industry. We call this coalition the **National Partners in Homeownership.** Our mutual goal: to help the nation achieve an all-time high level of homeownership by the turn of the century.

To achieve this goal, our coalition has established a **National Homeownership Strategy** to expand homeownership by 8 million by the year 2000. The National Homeownership Strategy epitomizes the role the federal government should play in boosting homeownership. The Partners' strategy is a flexible model that does not create a new government program or ask for new funds from Congress. Through the Strategy, the federal government builds collaborative relationships with lenders, builders and real estate professionals; with nonprofit

organizations that work to expand homeownership for people who may have been excluded in the past; and with state and local agencies that help shape the availability and cost of homes within their local housing markets.

Implementing the actions contained in the National Homeownership Strategy will help:

- Cut home production costs by advancing new construction technology and eliminating excessive building regulation;

- Increase access to mortgage financing, cutting in half the time needed to get a mortgage loan approved;

- Simplify the mortgage lending process, reducing the paperwork and hassle for the home buyer;

- Increase the availability of homeownership education and counseling for first-time home buyers;

- Reduce the cash needed to buy a home by lowering mortgage closing costs and downpayment requirements; and

- Make it simpler to finance the purchase and the repair of a home.

In this new model, the Department of Homes and Communities plays a catalytic leadership role -- contributing its housing and lending resources and expertise, and bringing other public and private parties to the table to lend their know-how and resources. As such, the National Homeownership Strategy enables HUD to wisely use scarce resources, spurring the creativity of the private marketplace, expanding housing choice for families and individuals, and stimulating local action in communities from coast to coast.

Yet DHC will also have five critical functions to perform in pursuit of the national homeownership goal.

- **Serving Homebuyers through a New FHA**

FHA has throughout its history been the best source of mortgage insurance for first-time homebuyers, inner-city residents, minorities and immigrants, and low-and moderate-income families. To date, the homes of over 28 million Americans -- over 23 million homeowners and 5 million renters -- have been made possible because of FHA.

But if FHA is going to continue its work -- and grow to help meet President Clinton's goal of 8 million new homeowners by 2000 -- it needs to expand the products it offers, while maintaining its traditional role as a stabilizing force in the marketplace. As the centerpiece of the federal government's contribution to this goal, we propose the complete recasting of FHA, with new authority to test innovative products and create new relationships with state housing agencies and other mortgage insurers.

The New FHA will play several roles:

- Expanding opportunity and serving underserved markets. FHA will serve the first-time homebuyers, minorities, lower-income, and urban residents that the conventional market cannot, or will not, serve. This is a niche of the market that needs to grow substantially if the homeownership goal is to be achieved.

- Pioneering and standardizing new solutions. In the past, FHA introduced new, untested mortgage products that became industry standards once the market assessed FHA's experience. For example, FHA pioneered the reverse equity mortgage -- now quickly finding acceptance within the conventional market -- that allows elderly homeowners to remain in their homes, while living off the equity they had built. FHA needs to play this role again. To this end, FHA will seek greater flexibility in product design to tailor its services to the needs of local markets and special populations.

- Providing stability during economic downturns. When markets decline, private capital flees. FHA can afford to stay. As a result, FHA moderates the severity of downturns and helps preserve families' equity in their homes.

In the past three years, FHA has already improved its service to customers by streamlining the processing of loans and eliminating excessive paperwork. The new FHA will go further, incorporating the latest innovations in technology and corporate organization. Significant administrative efficiencies will be achieved, for example, by transferring all processing functions from 81 separate field offices to five service centers.

- **Providing Access to Private Capital/Regulating the Government-Sponsored Enterprises**

In housing finance, the primary role of the government is to provide incentives for private investors to invest in the homes of ordinary Americans. The Government-Sponsored Enterprises are congressionally-chartered, stockholder-owned corporations that bring private capital to the task of meeting America's housing finance needs. In 1992, Congress charged HUD with ensuring that the GSEs use the benefits of their government-sponsorship to help finance homes for all Americans, including low- and moderate- income homebuyers, low- and very-low-income renters, and residents of underserved areas.

HUD has established affordable housing goals for the GSEs that will result in at least $150 billion of mortgage financing each year for the next four years for low- and moderate-income homebuyers and renters, and families who live in communities that are underserved by the mortgage markets. Our role as the regulator of the GSEs is to ensure that we steer the GSEs toward the public purposes that must be served, but does not dictate how they achieve those public purposes.

- **Promoting Fairness in the Mortgage Marketplace**

Efforts to open up the private housing market on an equitable basis will continue to be

a priority for DHC. Tools to enable members of the mortgage lending community to pursue fair lending goals, and thus reduce violations, will be strengthened. Lenders will be encouraged to "self-test" for fair lending compliance and to correct problems they discover voluntarily through legislation that exempts the results of their efforts from disclosure. The secondary mortgage market agencies, Fannie Mae and Freddie Mac, will be given the framework to encourage fair lending in the markets they serve.

The Department also believes that fair housing enforcement is an important component of its fair housing responsibility. Having reorganized to create more effective field offices, the Department is enhancing staff training and reengineering business practices to improve the skills and efficiency of HUD's fair housing enforcement staff. By putting a greater emphasis on prompt, fair investigations followed by effective conciliation efforts, the Department will provide victims of discrimination with relief, and will underscore the cost of illegal discrimination throughout the country.

- **Helping Homebuyers Through Counseling**

Recent surveys indicate that 86 percent of all adults prefer to own a home, and two-thirds of all renters would buy a home if they could afford one. Yet low- and moderate-income homebuyers generally need a range of supports -- counseling, downpayment assistance, innovative financing -- to overcome impediments to homeownership. Through a variety of programs, HUD provides federal subsidies that can be tailored to the needs of the individual homebuyer.

President Clinton's National Homeownership Strategy puts enhancing homeownership awareness, education, and counseling among its highest priorities. Yet moving people from rental housing to homeownership has become increasingly difficult. HUD must find new ways to raise awareness of homeownership opportunities and help families not only achieve homeownership but remain homeowners.

HUD's housing counseling program has long supported local counseling agencies that provide primarily (but not exclusively) preforeclosure counseling, helping families to work through financial difficulties. However, this year, HUD redirected about 40 percent of the funds to five national organizations to sponsor a full panoply of outreach, education and counseling efforts.

- **Providing Opportunities for Low- and Moderate-Income Families**

The Department is refining affordable housing programs to enhance homeownership opportunities for lower-income people and families. DHC intends, for example, to extend homeownership opportunities to residents of public housing and recipients of Section 8 rental assistance. The public housing homeownership initiative, which should provide up to 3,000 residents to buy their public housing unit, will build upon existing legislative authorities under Section 5(h). We will also propose legislation that would permit continued operating subsidies to some families for a limited time after sale; permit the intermediate sale of units to a non-profit organization which must then sell to residents within a specified time period; and fund technical

assistance for participating housing authorities to permit more intensive, hands-on help to both PHAs and the residents.

The Department will also use Section 8 assistance as a tool to increase homeownership. The Department strongly believes that if a Section 8 certificate can be used to help pay off a landlord's mortgage, then it should also be a resource to help a low-income homebuyer pay off her mortgage. In conjunction with the settlement of fair housing litigation in Baltimore, the Department is proposing legislative changes to the existing Section 8 program to implement a homeownership demonstration in metropolitan Baltimore that would offer very low income families the opportunity to own their own homes. The legislative changes would reduce the amount of downpayment that a family is required to provide from its own resources, allow lease-purchase arrangements and authorize the Secretary to grant other waivers necessary to make S. 8 homeownership programs workable.

Finally, the HOME program helps states and local governments -- in partnership with nonprofit organizations and private developers -- provide homeownership opportunities for low income families. The Department has already streamlined HOME recapture regulations to facilitate greater use of program funds for homebuyer assistance as well as providing two technical guides on homebuyer programs. These actions have contributed to an increase in the level of homeownership in many communities using the HOME funds; to date, the HOME program has helped over 40,000 homebuyers at an average cost of $13,700. The Department will continue to prepare additional guidance on the use of HOME for homeownership as well as seek additional legislative and regulatory refinements where appropriate.

- **Creating Homeownership Zones.**

In 1996, HUD will propose creating a "Homeownership Zones" initiative to reclaim abandoned neighborhoods, retain and attract back to the city hardworking moderate- and middle-income families, and stimulate business creation and private investment. This initiative will build on successful local efforts in Detroit, Buffalo, East Brooklyn and the South Bronx as well as the current EZ Homes program, sponsored by Senator D'Amato (R-NY) in 1992.

The program would be designed, in part, as a $200 million "bonus pool" under HUD's HOME program, available on a competitive basis to performing jurisdictions to create large-scale homeownership communities in targeted areas. We will also seek the participation of other federal entities -- namely Fannie Mae, Freddie Mac and the Federal Home Loan Banks -- to ensure the availability of affordable mortgages. Purchase of mortgages in these underserved areas will help the GSEs meet new performance targets.

Under the HOME bonus pool, localities would compete for funds by proposing creative, cost-effective homeownership strategies using a combination of their own resources, private capital and federal program incentives. The most competitive proposals would bring to their programs a wide range of non-federal resources, such as city-owned land, waivers of local impact fees and other assessments, and the elimination of state and local regulatory barriers to affordable housing.

To ensure adequate scale, each participating locality would be required to develop a minimum of 250 homes in a targeted area to successfully compete for federal resources. The program would operate in existing EZ/ECs, and in qualified census tracts and areas of chronic economic distress that presently govern the mortgage revenue bond programs.

The $200 million in federal grants would be used for deferred payment second mortgages, up to $5 million per participating locality. Up to $25,000 in deferred second mortgage money would be provided for single family dwellings; up to $45,000 for two-family dwellings; and up to $65,000 for three-family dwellings. Cities would be encouraged to use Section 8 vouchers to provide affordable rental housing in the non-owner-occupied units in 2 and 3 unit structures.

D. A "Right-Side-Up" Cabinet Agency

The sum of these program reforms means the agency itself must change. First, as described below, we must reorganize the agency to respond to locally driven priorities rather than federal dictates, to "catch up," in essence, with the substantial program reinventions underway.

We propose the creation of a "right-side-up" cabinet department that literally inverts the organizational chart, putting the federal representatives who meet the public on the highest level and arraying every other function in support of a highly competent front-line staff (see Figure III). Our aim is for local community leaders -- mayors, county officials, community development officials and others -- to meet a new kind of federal official at the local level, one who delivers services of value to the community, works with local leaders to meet mutual performance objectives, and provides expert advice and top-notch training to local partners.

A Smaller, Community-First Work Force. We would create a smaller, decentralized work force that is highly trained and has a dramatically changed mandate: their main function would be to respond to local priorities. To this end, field staff will be given the maximum amount of flexibility and authority to work with communities to address their needs and problems.

In keeping with this new philosophy of empowering the community, the agency structure in Washington will change. Staff in headquarters will be reduced and will carry out functions that are logically Washington-based, such as policy development, budgeting and congressional relations. More program delivery functions will be transferred to the field. As a result, in 1996-7 we will reduce the Washington headquarters staffing from 3,500 to below 3,000, in part by transferring key staff to field offices. We will also move more than 1,000 persons from the former regional office cities to the state and sub-state field offices over the next two calendar years. By these streamlining actions and relocations of staff, we will not only reduce the agency's dependence on grade 13-15 managers in the Washington headquarters, but increase the number and importance of middle managers in the field offices in keeping with our commitment to place decision-making authority and problem-solving discretion nearer to communities.

One approach will be to co-locate DHC officials on the staffs of state and local governments that request them by dramatically expanding placements of the type allowed under the Intergovernmental Personnel Act.

Selected HUD personnel will receive intensive training to convert them from administrators performing paperwork processing functions to community-oriented experts who can help communities optimize the necessary layering of local, state, federal and private resources. It is for these reasons that HUD has upgraded its request for relocation and training funds.

Single Point of Contact. The new Department of Homes and Communities will have a single point of contact for about 150 jurisdictions -- those with populations over 100,000 or which are the largest city in each state (for list, see Appendix A). Mayors and other local

leaders will no longer need to work with three or four HUD offices to get answers on community priorities. Instead, a community contact will be appointed for each jurisdiction. These contacts will be specially trained to trouble shoot, responding to community complaints and helping communities identify and overcome federal impediments to achieving local priorities. Community contacts will have the authority to issue waivers to agency regulations, if such waivers are necessary to enable communities to meet priority goals. In addition, community contacts will be empowered to bring intra-agency disputes before Secretary's Representatives, who will have the authority to override decisions that conflict with local priorities and do not have a sufficient federal interest.

Collaboration with Other Departments. The new Department of Homes and Communities will strive to improve federal interagency collaboration so that communities can implement comprehensive solutions to local problems. Citizens repeatedly describe the issues about which they care the most: jobs, children, schools and safety. Local leaders translate these concerns into programs: employment and training, brownfield cleanups, tax incentives, policing and crime prevention, education and youth programs, anti-drug strategies, child care and affordable housing. These problems by definition require collaboration across cabinet agencies that is difficult to achieve. The Department of Homes and Communities will build its field organization to fit with the efforts of other Federal agencies in unprecedented ways:

- with the Department of Health and Human Services to address the housing and service needs of mentally ill and addicted homeless persons;
- with the Department of Justice to protect the rights of persons to live in personal safety and free from housing discrimination;
- with the Departments of Education, Labor and HHS to transform selected public housing complexes to Campuses of Learners;
- with the Departments of Labor and HHS to use housing assistance to further the goals of welfare and job training reforms;
- with the Department of Agriculture to help in small communities and on farmworker and colonia issues;
- with the Departments of Agriculture and Veterans Affairs to create homeownership;
- with the Department of Treasury to expand community development financial institutions;
- with the federal financial regulatory agencies to promote fair lending;
- with the Department of Commerce and the Environmental Protection Agency to redevelop brownfields; and
- with the Departments of Transportation and Labor to link regional transportation and job training.

In some cases, the Department of Homes and Communities will seek to create unified offices with other agencies. In other cases, the new department will seek to coordinate funding decisions with those of other agencies to reward local collaborative efforts. To the greatest extent possible, DHC will strive to break down the institutional and cultural barriers that currently divide the administration of related programs at the federal level and impede local innovation and creativity.

Paperless Offices. Field offices under the new department will begin to evolve into "paperless" offices, using the latest computer technology to communicate with partners. We will communicate instantly through multiple media and multiple networks, such as cable television, satellite transmission and computer technology.

These changes are already underway at HUD. The Office of Community Planning and Development, for example, now requires local jurisdictions to submit one consolidated plan instead of eight separate and overlapping planning documents. Development of the consolidated plan is aided by computer maps and local socioeconomic and demographic data supplied by HUD on CD-ROM, which allow localities to display the existing and planned allocation of federal community development resources in local neighborhoods. The new consolidated plans are submitted on computer disks, which make them accessible to the general public.

HUD has also established a significant presence on the Internet, making a variety of information resources available to the general public. Each month over 10,000 "electronic visitors" access the HUD Home Page.

HUD has contracted with an international information technology firm to develop the model for the new paperless offices. That work has been underway for months and beginning with the transformation of HUD's offices in Denver, Chicago, Philadelphia and Columbus, Ohio, we are applying new ways to use state-of-the-art technologies to improve workflow, increase productivity and enhance customer service. When the model of these offices is set, we will begin work in mid-1996 in a second grouping of cities that includes Kansas City, St. Louis, Los Angeles, Buffalo, Richmond and Miami. The experiences of these offices will be used to back-track "upstream" and drive change in headquarters operations to serve the imperatives of customer service and decentralization. As a result of more efficient operations, we will close 10 of our 81 field offices in 1996-97.

Professional Development and Training. One of the primary missions of the new Department will be to equip DHC personnel with the skills necessary to succeed in the reinvented world of federal housing and community development. Staff will need to change from professionals who write and enforce rules to "change-agents" who lead the deregulation agenda and help local officials adjust to and succeed in the new environment. As programs become consolidated and allocated by formula, DHC staff will need to help States, localities and citizen groups devise comprehensive community strategies. As the Department receives enhanced powers to address the problems of troubled public housing agencies, DHC staff will need to become experts in corporate restructuring and management of distressed real estate.

We intend to significantly expand the level of resources devoted to training staff to meet these new challenges. HUD has already established a Training Academy, with strong linkages to universities and community colleges, to perform this function. Training of HUD staff, however, must go beyond traditional "in-class" sessions if training is to be meaningful. We intend to make heavy use of the Intergovernmental Personnel Act (IPAs) to place DHC staff in local and state governments, public housing agencies, community development corporations and other housing organizations to get the type of intensive on-the-job training necessary to carry out their new roles. This hands-on experience will be invaluable in developing new skills and sensitivities of staff who far too often are unable to "get close" to their work.

Beyond DHC staff, the new Department will work with the private sector to train and retrain the nation's network of housing and community development providers: community development corporations, public housing agencies, state and local governments, homeless providers and others. For too long, HUD has defined success narrowly -- when funds are awarded or obligated, when rules are promulgated. True success, however, only occurs when the desired outcomes of federal housing and community development policy are realized (e.g. the rehabilitation of affordable housing). To ensure such success, the new Department must go beyond its own boundaries and strengthen the human resources and skill levels of the nation's network of community builders.

We will place great emphasis on professional development in the public housing arena. The transformation of public housing will fundamentally alter what professionals working in this field do -- both at the federal and local levels. Public housing officials will need to change from professionals who have principally "followed the rules" to entrepreneurs who are given great flexibility and latitude to adapt public housing to local circumstances. We seek the professionalization of career tracks so that public housing officials can be accorded the standing they need to carry out the transformation of public housing with self-respect and competence.

We will seek legislation to require commissioners and senior public housing management staff to be certified by the Training Academy or Academy accredited affiliates. States such as New Jersey have already initiated similar certification requirements, with solid results.

Streamlining With a Vengeance. We are combing through every program and every function to determine if (a) it is necessary and (b) it can be done more efficiently. Our research shows that a disproportionate share of the agency's human resources are managing programs that account for a small percentage of our funds. Some activities will be eliminated, some contracted to outside organizations and some consolidated.

FHA, for example, currently operates single-family programs in 81 locations throughout the country; they will ultimately be handled in five locations, called service centers, such as the very successful center now operating in Denver. Administrative functions -- personnel, building services, office equipment, to name a few -- are similarly being consolidated into five service centers. Ginnie Mae and Fair Housing have made effective use of contractors to handle activities formerly operated in-house; we are exploring their use for a range of other activities.

Presidential Performance Agreement. As part of restructuring, the new agency will hold itself accountable to a concrete set of performance standards. For the last two years, we have agreements with President Clinton to achieve specific results in every program areas as well as in management and administrative areas. In 1995 we reached 84 percent of these objectives, compared to 79 percent the year before. See the table below.

Priorities	Performance Measures	Achievements
Reduce homelessness	• Provide technical assistance to communities on coordinating disparate services into continuum of care systems	• Completed technical assistance to over 40 field offices and more than 5,000 local groups on ways to fill the gap in housing and services
	• Help more homeless families and individuals move through the continuum of care to permanent housing	• Awarded nearly $1 billion in 1995 to over 800 projects in 230 communities -- the largest block of funding for the homeless in history
Turn around public housing	• Improve the physical, social and management conditions of public and Native American housing	• Tore down 8,200 units of deteriorated public housing to date; approved the demolition of over 23,000 units
		• Helped convert 9 "troubled" housing agencies into good performers; helped increase PHAs' average performance ratings by a total of 14 pts
Expand supply of quality, affordable housing and increase homeownership	• Increase the supply of affordable housing	• Streamlined HOME, increasing the first-year commitment rate of funds by 37%, thus accelerating construction of affordable housing
	• Increase national homeownership rate to an all-time high	• Helped increase the homeownership rate to its highest level in 15 years (Fall 1995)
Ensure fair housing for all Americans	• Increase opportunities for homebuyers underserved by the conventional market	• Issued rule requiring Fannie Mae and Freddie Mac to make home mortgages available to low- and moderate-income working Americans
	• Increase number of public-private partnerships to expand homeownership for minority and low-income families	• Signed "Best Practices" agreements with 16 mortgage lenders to reverse lending discrimination for underserved borrowers
Empower communities	• Simplify grant application processes for cities, counties and local organizations	• Implemented the Consolidated plan which condenses 12 separate HUD documents for four programs into one plan, provides over 900 communities an innovative computer mapping program, and enhances citizen participation
	• Provide capacity building for community development corporations	• Committed $20 million to help CDCs improve their neighborhoods. The funds have leveraged over $1.5 billion in public and private resources to build 2,900 units of housing to date.
Bring excellence to management	• Decrease HUD staffing	• Reduced number of HUD employees from 13,500 in FY 1993 to 11,500 in FY 1995
	• Improve customer service by streamlining programs	• Reduced the processing time of FHA single family mortgage loans from six weeks to less than one day

APPENDIX A. CITIES WITH POPULATION OVER 100,000 AND/OR THE LARGEST CITY IN EACH STATE

to Tony/Sandy
FYI - very
good letter
BC

United States Department of State

Washington, D.C. 20520

Letter from
Bob Strauss

December 19, 1995

THE PRESIDENT HAS SEEN
1-2.96

President William Jefferson Clinton
The White House
Washington, D.C.

Dear Mr. President:

Having returned from two months leave and settled into my new job at the State Department, I wanted to pass along -- as promised -- a few observations about my trip to Southeast Asia. In keeping with the maxim that "less is more," I'll try to keep it short.

My trip took me through Vietnam, Cambodia, Burma and Laos, with stopovers in Hong Kong and Bangkok (where the traffic is so bad that even a Presidential motorcade wouldn't make a difference.) It was my first visit to these nations, but four previous trips to China and other Asian countries provided some perspective. In each country, I spent a few days in the capital giving talks and seminars for USIA and devoted the rest of my time to exploration.

So many images remain: the network of tunnels where the residents of a Vietnamese coastal town lived during the war, stark evidence of the spirit that helps answers the question "why they won".... the contrast between the fabulous remains of the 1,000-year-old temples of Angkor in northwest Cambodia and the devastating remains of the "killing fields" outside Phnom Penh.... the palpable rift between the passion and gentleness of dissidents in Rangoon's crumbling offices and the hammer-headed venality of the ruling junta.... and the placid residents of fishing villages along the Mekong in Southern Laos, who seem to have forgotten that we once dropped 1,000 pounds of bombs per person on them.

But when I reflect on these images and my journey, three conclusions stand out.

First, Southeast Asia is changing at an awesome pace. If I had to choose one image to illustrate what's going on, it would be a swarm of young men on Japanese motorcycles speeding by a construction site. Much of this frantic economic activity is due to increases in disposable income and foreign trade and investment and it contains the hope of more open markets and new jobs. But much also seems aimless, the product of fundamentally flawed economies. People are buying television sets in the cities but signs of social unrest are growing as rice prices rise and rural youth migrate to urban areas which cannot

support them. You also cannot help but feel that the almighty dollar (the working currency in Vietnam and Cambodia) is having negative cultural consequences. Everyone's out to make a buck and the Asian reverence for traditional values -- i.e. family, education -- seems to be fading. It reminded me a lot of China in the early 1980s and, if that's a clue to the future, it could be pretty ugly.

Second, and this one sounds obvious, we must move immediately to take advantage of our victory in the Cold War. The evidence of that victory is everywhere. Nations that still call themselves socialist are shedding their command economies as fast as possible. Open markets and new investments are multiplying. The appetite for democracy and its ideals is huge. And the vast majority of people welcome Americans with open arms and even look to us for moral and political leadership.

There are, however, harsh realities. The rigid one-party state is on a collision course with the realities of open economies -- and the older leaders' first instinct will be to back away from reform. In addition, these nations in transition look around their neighborhood and see models, particularly Malaysia and Singapore, which teach that political freedom is not required for economic success. But I strongly believe that the door is open. If we adjust our priorities -- in foreign aid, diplomatic focus and USIA-type programs -- and direct our efforts to countries in this transition stage, we can make a difference.

Third and finally, Southeast Asia provides stark evidence of the terrible dilemma we face in dealing with nations whose internal policies we cannot stomach: to engage or to isolate? I was particularly struck by our "choice" in Burma. The dissidents whom I met pleaded for the U.S. to impose an economic embargo on their nation. They said it was the only way the generals would get the message and change their ways. But they also admitted that such a move -- as proved by our arms embargo, which the Chinese have rendered useless -- would have little or no practical effect. And they were undecided about whether an injection of Western economic influence could ultimately yield political dividends.

What we're left with is a mixed approach. On the security front, as our nuclear negotiations with North Korea demonstrate, our national interest demands bilateral and multilateral "engagement." (I don't like the word but I've given up the fight.) On the economic front, we must continue to trade and do business -- not only to create jobs here at home but also because if we do not, someone else will. (The French, as always, are the top candidate.)

That leaves, of course, the areas of political freedoms and human rights. I subscribe to the notion, best illustrated by the Chinese, that berating these regimes in public rarely has the impact we seek; in fact, it sometimes makes things worse for their citizens. But we must

nonetheless keep hitting these governments hard in private, continue our work in regional and international groups and encourage non-governmental groups to keep the pressure on. These policies don't make for easy soundbites, but they do seem sound.

One thing is clear: the most important thing we can do is to remain consistent and strong. For while these countries' peoples increasingly look to us for inspiration, the people who govern them have to be shown that the United States is tough and means business. If they perceive inconsistencies or weakness, we risk losing whatever leverage we have in negotiations. This applies to all nations, I suppose, but I believe it is particularly important in the context of Asian culture and recent history.

One final note: even before the post-APEC griping about your absence from the meeting began, my encounters with government officials and others revealed real suspicions about our commitment to an Asia policy that goes beyond relations with China, Japan and Korea. The Vietnamese, for example, worry whether normalization will really lead to trade; the Cambodians are upset that promised Peace Corps volunteers never appeared; and the Thais were deeply disappointed by Mrs. Clinton's canceled visit. Naturally, nothing would better underline your commitment to a greater Asia policy than a Presidential visit. I understand all too well the pressures of the coming months, but I believe that next year's post-election APEC meeting in the Philippines offers a great chance for you to spend a few days in the region. Your welcome would not quite rival Belfast and Derry, but a visit to Thailand -- plus a few days rest on a beach in Bali (no batik shirts required) -- might not be all bad.

It seems like a year has passed since we last saw each other in Hawaii -- and twenty since all this began -- but I wanted once again to tell you how much I appreciated the opportunity to serve in the campaign and at the White House. From the Days Inn in Manchester to the deserts of Jordan, from the early drafts of "Putting People First" to the Palais du President in Port-au-Prince (sorry, but I'm having trouble losing the speechwriter's alliteration bug), what an experience. Few people ever have a chance to experience history firsthand and to work for those who have so much to teach. I can only once again say thank you.

By the way, even though I like my new position over here, I highly recommend the notion of taking a long leave from work. Although I hope you'll hold off until late January, 2001.

Yours, as ever,

Robert O. Boorstin
Senior Advisor to the Secretary

THE PRESIDENT HAS SEEN
1-2-96

THE WHITE HOUSE
WASHINGTON

95 DEC 30 A10 : 45

December 30, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: DONALD A. BAER

SUBJECT: STATE OF THE UNION MEMORANDUM

Attached is a memorandum about the State of the Union which Guy Smith sent in at my request. I thought you would want to see it before you left for Hilton Head.

I think this has applause, but is worth considering

21Dec95

MEMORANDUM

TO: Don Baer

FROM: Guy L. Smith

SUBJ: State of the Union Theme and Delivery Scenario

"There is no substitute
for American leadership
anywhere in the world."

"When you are a leader
you can never not lead."

THEME

It is my recommendation that the theme for this year's State of the Union address be **leadership.**

Leadership is a commodity the American people expect in their President. The budget battle, as unwieldy and unpleasant as it has been, has very strongly positioned the President as standing up firmly for what he believes in. Now, he must tell the American people where is going to lead them. And in telling them, he must remind them what American leadership has meant to progress for each American and what it has meant for the security of the world.

Leadership as a theme is not trite in an era when there is so much division in our society, so much discord, so much negative. A strong expression of leadership is needed, wanted by most Americans, most particularly the core Bill Clinton supporter...the truck driver from Lubbock, the nurse from New York City, the senior from St. Petersburg, the cop from Boise.

The address should, of course, set the stage of American leadership and develop a clear road map of American leadership during the coming year. Where, and how, is Bill Clinton going to lead us?

In the speech the President should articulate his vision of American leadership, both for foreign policy and domestic policy.

Each Administration success and proposal (only the broadest outlines) should be framed as a leadership action; each action worthy of mentioning, be it foreign or domestic, past, current, or prospective, should be framed within the leadership idea.

Examples:

Haiti...it was American leadership
The Mideast...it was American leadership
Bosnia...it is American leadership

The environment (a specific)...it is American leadership
Crime...and human services...and just a few others

This should not be a litany, but the communication of an **idea...**

- and that idea is that **this President is a leader...**
- and he is leading this nation into the next century in such a way that makes Americans **believe** him, **support** him, and **trust** him.
- This President makes leadership decisions based on what is **the right thing to do!**

PURPOSE

The American people respond to strong leadership. **They respond to a leader standing firm for his core beliefs, his core values.** As the election year begins, positioning the President as a strong leader with a clear idea of where he is leading the country communicates powerful and real emotions that will resonate with Americans.

Using a leadership theme permits almost all major policy ideas to be neatly wrapped into a consistent and coherent package (as contrasted to last year's address).

The leadership theme positions the President in the strongest possible manner at what is essentially the kickoff of the reelection campaign.

Also, it will greatly aid in dispelling the lingering commentary about the President's indecisiveness (e.g. the Securities legislation veto the other day).

DELIVERY SCENARIO

The President enters the House chamber as usual, makes his way to the rostrum as usual, enjoys the usual applause...but then, as he begins, he first begins with a preamble, delivered as a preamble..."Before I begin my formal report to the Congress"-type of comments. In this preamble he then advises the audience (which will be at least half filled with GOP partisans) and the television audience, that he has some very serious, very important, he believes, ideas to share and **that he would respectfully ask that the members hold their applause until he is through** (the language here should be solemn, formal, solicitous, and not humorous).

No one has ever done this before.

- It will set a very serious, very Presidential tone.
- It will eliminate the cameras panning during the applause of the President's partisans and the TV shots of the Republicans sitting on their hands looking sour (which is a reminder of division, not leadership).
- It will eliminate the TV commentators' ability to count the number of times the President was interrupted by applause.
- It will eliminate the distractions to the TV audience.
- And, it will permit the messages to come through to the TV audience, and to the journalists covering the speech.

With this high level of solemnity and dignity, the TV pictures will communicate a very powerful message about this President.

- That this President is serious.

- That this President is leading this country where I (the citizen who is watching) want it to go and I feel good about what and how he is doing it.

- That this President is, indeed, a leader, my leader.

After this preamble, the President begins, first with some meaningful and brief historical references about American leadership, both foreign and domestic.

Then he begins the foreign policy section. **At this point the President holds up an actual launcher mechanism for a Soviet SS-22.** He makes the point that because of American leadership no Soviet soldier is sitting in a silo with missiles aimed at our country. Using the actual launcher key will create a powerful picture and will vividly remind the audience (not the one in the House chamber) about exactly what kind of leadership this President is providing. This will also put the Bosnia mission into a clear perspective.

Then on to Bosnia, Haiti, the Mideast...but briefly...but **with colorful and emotional oratory.**

Then to domestic, again with the leadership theme for each area covered...and the areas covered should be very few.

- The speech should **not exceed 20 or 25 minutes**...25 minutes max!

- The speech should be **heavy with emotion, patriotism,** and reminders to Americans that they are, as a people, indeed leaders.

- The conclusion of the speech should combine the leadership theme with an articulation of the President's core beliefs that American government is an instrument of good...for every American...and for people around the world.

PRE-SPEECH BUILDUP

- Several days prior to the speech the President should **visit the troops in Bosnia...as Commander-in-Chief.**

- The day before the speech, in the evening, the President should hold a Clinton-style town meeting in Charlottesville on the campus of the University of Virginia,

but before the town meeting...

- The President should make a visit to Monticello...ALONE.

  No aides, no gaggling press corps, no family...nobody!

  I want the entire mansion to be devoid of anybody except the President, the White House photographer, and one news photographer.

  The President goes in, sits at Thomas Jefferson's desk or chair in his library, makes some finishing touches on his State of the Union address, stands at the window and looks out, thoughtfully regards the painting of Jefferson.

Essentially, he visits Jefferson's house and draws on, and from, Jefferson...

the imagery and comparisons will be powerful.

The photograph that the White House releases, for the morning papers the day of the State of the Union, will be very, very powerful. They will create a connection between the leader Thomas Jefferson and the leader William Jefferson Clinton.

This visit, almost literally with Thomas Jefferson, and the town meeting with the American people, will set the stage for leadership for the next evening for the formal delivery of the State of the Union.

Respectfully submitted,

Guy L. Smith

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

THE PRESIDENT HAS SEEN
1-2 96

THE DIRECTOR

December 29, 1995 95 DEC 29 P9:13

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin
Director

SUBJECT: Report on the Activities of the Federal Government's Task Force on the District of Columbia

Here (with apologies for the delay) is the report you asked for when you met with the District of Columbia Task Force on October 12.

"Promoting Stability, Growth, and Opportunity in Our Nation's Capital: Report of the D.C. Task Force" outlines the efforts of Federal agencies and officials to help our Nation's capital achieve the financial stability, growth, and opportunity that its residents deserve.

Alexis and I are working with Eleanor Norton to set up the "community leaders" meeting we spoke about. The report could be released then -- or sooner.

Attachment

What on
Anti-Stigs?
Don't run mid a few?
RC
- Has crime gone down?
If so should say so -
- Has unemployment in DC reduced
- Showing that economic
the dev. initiative are
DC specific catalysts

Promoting Stability, Growth, and Opportunity in Our Nation's Capital:

Report of the D.C. Task Force

EXECUTIVE SUMMARY

Overview

President Clinton is committed to helping Washington D.C. regain its financial stability, provide quality services to its residents, and make the Nation's capital a place that people are eager to visit and live in. This report describes the Federal efforts to help D.C. achieve the financial stability, provide the reliable services, and attain the economic growth that D.C. residents deserve.

D.C.'s Financial Crisis

In the 1980s, D.C.'s economy grew rapidly. The expanding tax base created by rising employment and property values enabled D.C. to provide more services and jobs, while still balancing its budget. When the economic boom ended in the late 1980s, D.C.'s financial condition changed dramatically, making the growth in services unsustainable. With these pressures, D.C. found it harder to balance its budget in the 1990s, and it ended fiscal 1994 with a cumulative general fund balance deficit of $324 million. The market downgraded D.C.'s credit in early 1995, leaving it unable to borrow to pay salaries and vendors. Serious management problems complicated the delivery of basic services.

The Federal Response

The Financial Responsibility and Management Assistance Act of 1995. The Administration and Congress worked with D.C. to enact the Financial Responsibility and Management Assistance Act (FRMA Act), which the President signed on April 17, 1995. It created the D.C. Financial Responsibility and Management Assistance Authority and charged it with reviewing and approving D.C.'s borrowing and ensuring that D.C. takes steps to achieve a sustainable balanced budget.

The D.C. Task Force. The President also established a task force, chaired by his Budget Director, Alice M. Rivlin, and comprised of representatives from numerous Cabinet agencies. The Task Force provides assistance to help D.C. cope with its financial and management problems. Examples of Task Force activities include:

- ***Job Creation.*** The Transportation Department worked with Congress to preserve D.C.'s share of Federal highway funds, saving 1,800 jobs and allowing bids for construction on major D.C. roads that could create several thousand more jobs. The Department of Housing and Urban Development (HUD) sponsors education and job

training initiatives for public housing residents. The Labor Department funds job training and related aid for 4,400 adult and youth participants.

- ***Financial Management.*** The Treasury Department worked with D.C. to provide it with financing for operating and capital purposes. The Internal Revenue Service also has worked with D.C.'s Department of Finance and Revenue to improve its ability to collect taxes.

- ***Housing and Community Development.*** HUD is renovating dilapidated public housing in local neighborhoods and working to improve, over the long term, the financial management and physical state of several troubled D.C. properties. Its *Operation Safe Home* program, which cuts crime and fraud in public housing, is improving the living conditions for residents. Along with HUD and local groups, D.C. continues to assist the homeless.

- ***Roads and Highways.*** Because the Transportation Department worked with Congress to protect D.C.'s share of Federal highway funds, new construction will begin on several major D.C. roads, easing congestion for residents and commuters.

- ***Education.*** Through programs like its D.C. desk, which disseminates teaching strategies and programs to teachers, the Education Department is working to improve the quality of education for D.C. students.

- ***Health Care.*** The Department of Health and Human Services has provided technical assistance to help D.C. acquire the management tools it needs to improve its social services, income maintenance, and public health programs.

- ***Public Safety.*** In 1994, nearly every Federal agency with law enforcement responsibilities participated in a coordinated strategy to help D.C.'s Metropolitan Police Department. The Justice Department has made grants and, with other agencies, contributes to local efforts to cut violent crime. The Bureau of Prisons will soon complete an assessment of the status of operations and programs in the D.C. Corrections Department.

Next Steps

The President remains committed to helping put D.C. back on the path to financial health, enabling it to give its residents the services that they deserve and to make all Americans once again proud of their capital city.

Promoting Stability, Growth, and Opportunity in Our Nation's Capital:

Report of the D.C. Task Force

As the Nation's capital, Washington is a special place, a place of inspiration for people across America and around the world. But Washington -- the city -- faces major problems. Its health, and the security of its citizens, are threatened. All of us who live and work here must join hands to help the city get its financial house in order.

-- President William J. Clinton

President Clinton is committed to helping Washington D.C. regain its financial stability, provide quality services to its residents, and make the Nation's capital a place that people are eager to visit and live in. Like other major urban centers, the District confronts challenging problems in creating and maintaining jobs and sustaining economic growth. It also must provide basic services, such as housing, education, law enforcement, and transportation -- a task complicated by D.C.'s status as the seat of the Federal government. The Administration recognizes that the Federal government, the largest employer of D.C. residents, has a unique role to play in helping the city resolve these problems.

At the same time, the President wants to reinforce Home Rule and strengthen the District's ability to manage its own financial affairs effectively. To help the District do so, the Executive Branch can work with Congress to give D.C. officials the flexibility they need to manage their own affairs. In addition, the Executive Branch can help by providing expertise in financial and other management areas. Federal departments and agencies can work with their District counterparts to identify opportunities and solve problems.

This report describes the Federal government's efforts to help D.C. achieve the financial stability, provide the reliable services, and attain the economic growth that D.C. residents deserve.

D.C.'s Financial Crisis

In the 1980s, D.C.'s economy grew rapidly. The expanding tax base created by rising employment and property values enabled D.C. to provide more services and jobs, while still balancing its budget.

When the economic boom ended in the late 1980s, D.C.'s financial condition changed dramatically, making the growth in services unsustainable. Revenue growth slowed while outlays continued to soar. Property tax revenues, which comprise about 24 percent of D.C.'s total revenues, rose an average of only 1 percent a year between 1991 and 1993-

1994.[1] Sales and income taxes, comprising 40 percent of D.C.'s revenues, grew by only 2 percent a year over the same period. But spending continued to grow, far outstripping revenue growth. The fastest growing programs were related to poverty; spending for Aid to Families with Dependent Children (AFDC), Medicaid, and foster care rose between 11 and 23 percent a year.

With these pressures, D.C. found it harder to balance its budget in the 1990s. The city ended fiscal 1994 with a cumulative general fund balance deficit of $324 million. The prospect of continued large deficits made private capital markets wary of lending to D.C. In February 1995, Standard and Poors and Moody's downgraded D.C. government bonds to a "below investment grade" rating. At this point, D.C. was insolvent and could not borrow to pay salaries and vendors.

Serious management problems complicated the delivery of basic services. Due to a court order arising from its mismanagement of assisted housing units, the Department of Public Assisted Housing (DPAH) has put a receiver in charge of its operations. And, due to its inability to rectify past management problems, another court ordered D.C.'s child welfare office to appoint a receiver. Inadequate contracting, cash control, and procurement procedures hamper good management in most D.C. agencies.

The District also must confront its growing unfunded pension liability; at $5.2 billion at the end of 1993, it represents D.C.'s single largest obligation.

The Federal Response

The District has a unique relationship with the Federal government. As the Nation's capital, D.C. reaps substantial revenue from tourism as well as Federal employment and procurement. Like most other major cities, D.C. receives Federal funding to provide its residents with such basic services as housing, law enforcement and transportation. The District, however, assumes responsibilities for services that are normally provided by a county and State. Unlike other cities, D.C. cannot tap the financial resources of well-off suburbanites, such as through State taxes and transfers.

"Home rule" also plays a key role in shaping D.C.'s governing responsibilities. It allows D.C. to govern itself, with certain restrictions. Congress retains ultimate legislative control over the District -- such as by appropriating all D.C. budgets, regardless of whether the revenue at hand comes from the Federal government or local sources. The District cannot tax Federal and other official real estate and non-resident (e.g., commuter) income. As partial compensation for such restrictions, D.C. receives a Federal payment each year --

[1]The District changed its property tax year in FY 1993.

now $660 million, or 19 percent of general fund revenues -- in addition to other Federal funding.

The Financial Responsibility and Management Assistance Act of 1995. Because Washington is the Nation's capital and the Federal government is the primary employer and purchaser in the Washington area, the President felt a special responsibility to help D.C. address its financial problems. The Administration recognized quickly that D.C.'s financial situation required the kinds of measures that other financially troubled cities have used successfully. In early 1995, Administration officials and Members of Congress worked with D.C. to develop the Financial Responsibility and Management Assistance Act (FRMA Act), which Congress passed promptly and the President signed on April 17, 1995.[2]

The FRMA Act created the District of Columbia Financial Responsibility and Management Assistance Authority, a new entity of the D.C. Government, and charged it with reviewing and approving:

- budget requests of the D.C. Government, ensuring that they reflect a four-year path to a balanced budget; and

- all borrowing requests, certain leases and contracts, and most legislation adopted by the D.C. Government, ensuring that those items are consistent with the four-year financial plan.

After reviewing applications from over 100 individuals, the President appointed five highly-qualified District residents.[3] One of the Authority's first acts was to endorse D.C.'s request to borrow $147.5 million from the U.S. Treasury, which D.C. used to meet its payroll and pay vendors. The Treasury Department was instrumental in arranging this borrowing. The District has since repaid this loan out of its annually appropriated Federal payment.

Since then, the Authority has worked with the D.C. Government to:

- provide recommendations on D.C.'s fiscal 1996 budget request of $5.1 billion to Congress, including recommendations to eliminate 5,000 D.C. Government jobs;

- adopt interim procedures for contract review; and

- develop objective criteria for vendor payments.

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[2]See Appendix A for list of Congressional sponsors of FRMA legislation.

[3]See Appendix B for list of FRMAA members.

In addition, the Authority has broad responsibility to work with D.C. on a wide range of management issues, including personnel and procurement.

The Federal Government's D.C. Task Force. As D.C.'s financial crisis grew, the President asked Office of Management and Budget (OMB) Director Alice M. Rivlin to convene a group of officials in Executive Branch agencies to work among themselves, and with their D.C. counterparts, to help the District cope with its financial problems.

The Task Force, which Rivlin chairs, includes officials from the Departments of Education, Housing and Urban Development (HUD), Treasury, Justice, Health and Human Services (HHS), Labor, and Transportation.[4] These departments traditionally have enjoyed good working relationships with their D.C. counterparts, and the creation of the Task Force helped coordinate and enhance their efforts.

The efforts of these agencies to improve the quality of services that D.C. delivers to its residents are summarized below:

I. Job Creation

Swift legislative action, which the Administration proposed to preserve D.C.'s share of Federal highway funds (discussed in more detail below), allowed the city to pay delinquent accounts to contractors on the job, thus saving 1,800 jobs. It also permitted D.C. to advertise bids for another $50 million in new projects. By the spring, when the projects will be under construction, the total Federal aid program will support 4,500 jobs.

The Federal Highway Administration (FHWA) has formed a partnership with D.C.'s Public Works and Employment Services departments to give introductory construction experiences to more than 200 young D.C. residents. Young people will have the chance to improve public spaces by planting trees, removing graffiti, and repairing sidewalks.

HUD has embarked on several innovative initiatives to break the cycle of poverty through education, job training, and access to the information superhighway. In partnership with assisted housing residents, local service providers, and private actors, HUD has launched the following successful programs:

The Edgewood Connection: The Redevelopment of Edgewood Terrace and Electronic Village. The Edgewood Terrace Apartment Complex, located in Northeast Washington, consists of 884 units of

[4]See Appendix C for list of Task Force members.

HUD-financed or subsidized housing for low- and moderate-income families and individuals. HUD is working with D.C., residents, and private partners to revitalize the Edgewood community.

The Edgewood Connection is a pilot "electronic village," aimed at tapping the potential of low-income youth and adults by giving them access to the information superhighway. A Computer Learning and Training Center, equipped with computers, fax machines, phone lines, and office furniture, offers computer classes, job training, and other services for all interested Edgewood residents. Residents in the job training program take an eight-week computer literacy course, followed by a two-week job skills training course. Upon graduation from the training program, residents go on to full-time jobs. In September, eight residents graduated from the program and created their own micro-enterprise -- Edgewood Technology Services, Inc. -- to help other developments create a technology-driven learning program.

The program is sponsored by the Community Preservation and Development Corporation (CPDC); Hamilton Securities Group; MCI; Future Kids, a private firm that specializes in computer-based education for children; and ICS Communications, a Los Angeles-based telecommunications and cable company. Edgewood's sponsors estimate that, each year, the adult training program could graduate about 80 residents in the complex. If the pilot reaches that capacity, it could save about $560,000 a year in Federal welfare and related expenditures at this complex alone. HUD has committed $1.5 million to expand the program in Edgewood.

A National Model of Job Placement and Skill Enhancement at Fairmont Homes. Fairmont Apartments is a 218-unit, Federally-subsidized apartment complex in the Columbia Heights neighborhood of D.C. Along with the Alexandria-based Multi-Family Initiatives (MFI), HUD launched the two-year pilot project at Fairmont called "High Performance Living Environments" (HPLE). It will provide an intensive education and job placement program to low-income residents, involving one-on-one training, counseling, and access to state-of-the-art facilities and technology.

The HPLE project is unique because it concentrates on residents after they are placed in a job. Although MFI will help adults identify their skill levels and job interests, gain job preparedness, and find work, the program mainly helps working residents improve technical and professional skills and move into a longer-term, upwardly mobile career track. MFI has already identified participating employers and is

now selecting 90 residents to participate. HUD has committed $85,000 a year in additional rent subsidies for the project.

The Department of Labor provided $8.1 million to D.C. in fiscal 1995 for Job Training Partnership Act (JTPA) formula grants to support job training and related assistance for 4,400 adult and youth participants. The President's 1996 Budget proposed $10 million for JTPA grants. This program includes grants for:

Low income adults -- D.C. received $2.7 million in 1995 for training 1,200 low-income adults in the JTPA title II-A program. About 60 percent of adult participants will hold unsubsidized jobs after training.

Dislocated worker assistance -- D.C.'s 1995 allotment of $1.9 million under the JTPA dislocated worker program provided training and reemployment services to about 950 displaced workers. Under the President's 1996 Budget, D.C.'s formula grant for dislocated worker assistance would climb to $3.2 million, and participation would rise to about 1,600.

Summer jobs for youth -- This program, for which the President requested $3.2 million for 1996, provides temporary summer employment and academic enrichment to about 2,100 disadvantaged youth and young adults in positions that include recreation supervisors, day care aides, and hospital aides.

II. Financial Management

The Treasury Department has worked to provide D.C. with financing for operating and capital purposes. In addition, the Internal Revenue Service (IRS) has worked with D.C.'s Department of Finance and Revenue on tax collection issues.

Access to Capital. Last March, Treasury worked closely with OMB and Congress to develop the Treasury loan mechanisms of the FRMA Act. Treasury also has worked closely with D.C. officials, giving them technical assistance and helping them with their relationship with the financial markets. Along with the short-term financing that D.C. obtained last June, in October Treasury advanced $96 million for other capital purposes, including D.C.'s METRO obligation. Treasury will continue to work with D.C. to provide future advance financing as needed.

IRS Tax Collection. After reviewing the D.C. Department of Finance and Revenue operations, IRS staff has recommended ways to reform and, in some cases, create modern tax information systems for D.C. The District

established a task force to implement the recommendations, with technical assistance from the IRS; the IRS will continue providing other technical help as needed.

III. Housing and Community Development

Transformation of Ellen Wilson Homes. HUD has awarded $25 million to D.C. to tear down and rebuild Ellen Wilson Homes, a dilapidated 13-building public housing development near the U.S. Capitol. The District will redesign Ellen Wilson as a townhouse community that fits into the architectural character of Capitol Hill. The neighborhood will include 134 new apartments, 27 new townhomes for sale to moderate-income families, a day-care facility, a community center, and a small park.

Operation Safe Home. This operation is a nationwide HUD effort to cut crime and fraud in public and assisted housing. Since February 1994, HUD, Justice, Treasury, and the White House Office of National Drug Control Policy have joined forces with State and local law enforcement officials and public housing authorities to form over 100 law enforcement task forces. These joint efforts have led to about 5,500 arrests across the country for crimes involving drugs and weapons, as well as confiscation of at least 560 weapons, including 105 assault-type weapons and shotguns, and drugs valued at over $2.8 million. In addition, HUD's Office of Inspector General has launched a witness relocation program, which so far has helped 183 public housing families move out of their homes and away from life-threatening situations in return for their cooperation with law enforcement authorities.

The program has visibly improved living conditions at the Kelly Miller Apartments, a 169-unit public housing development in Northeast D.C. Prior to it, Kelly Miller was controlled by drug dealers and plagued with violence, gang crime, and drug sales. After ten months of surveillance, Federal investigators and the Metropolitan Police Department arrested 15 members of a gang that had dominated the development. Since the arrests in early 1995, the program has continued to make Kelly Miller safe, establish activities for young people, and provide job training and child care.

Cracking Down on Negligent Landlords. HUD initiated the Special Workout Assistance Teams (SWAT) program to aggressively address the Nation's most troubled, FHA-insured multifamily housing developments by taking action against negligent landlords and identifying viable solutions for long-term financial, managerial, and physical recovery. To date, HUD has taken enforcement actions against owners of 36 properties who did not comply with Federal housing quality standards. As a result, HUD has withdrawn its

Section 8 project-based rental subsidies and given affected low-income families portable rental assistance so they can move from these troubled developments and into better housing of their choice.

HUD also has sent SWAT teams to review 250 Federally-assisted apartments that it had identified as troubled. As part of this effort, HUD reviewed nine troubled apartment complexes in Washington, D.C. that are home to more than 2,300 low- and moderate-income families, 544 of whom receive Federal assistance to pay their rent. HUD is working with these owners to not only return the apartments to financially-sound condition, but to convert them into well-managed, safe, and quality living environments.

D.C. Homeless Initiative. The Administration designated D.C. as one of its first six Innovative Homeless Cities. The D.C. Initiative, announced in June 1993, is a partnership among HUD, the District, and the newly-created Community Partnership for the Prevention of Homelessness to create a comprehensive continuum of care system -- from outreach and rehabilitation services to permanent housing -- for D.C.'s homeless. The Community Partnership for the Prevention of Homelessness, a public-private organization, administers D.C.'s full range of services for the homeless, including their transition to single and family housing units. D.C. no longer operates the city's homeless system, but provides partial funding for these operations. HUD serves on the Community Partnership's Board of Directors.

The Initiative is performance-driven. HUD has pledged to give the District $20 million over three years, provided that D.C. meets a series of benchmarks and commits a level of public-private resources. The District has met its first-year goal of eliminating its emergency tier of homeless services and shifting to a "continuum of care" and, thus, received the first allotment of funds. HUD will continue to work closely with D.C. to help it achieve the next set of benchmarks -- developing strategies to assist homeless families and individuals that are hard to serve (e.g., mentally ill) -- which will bring the city another $7 million in Federal resources.

IV. Roads and Highways

In the summer of 1995, D.C. did not have the required $16 million in local matching funds to leverage $80 million in Federal highway funds. The Administration proposed the District of Columbia Emergency Highway Relief Act -- which Congress passed and the President signed on August 4 -- to defer the required local match for two years. This law gave D.C. access to $80 million in fiscal 1995 and $80 million in fiscal 1996 for important highway construction projects. Without the law, the Federal Government would have

distributed these funds to other States. With this money, D.C. could start construction in August 1995 on the following projects, which could generate up to 4,000 local jobs:

New Highway Projects. Since August, D.C. has begun construction on sections of E Street NW, Nebraska Avenue NW, Florida Avenue NE, Connecticut Avenue, U Street, and North Capitol Street, and will soon begin construction on Bladensburg Road. When completed, these projects will ease congestion, benefitting both D.C. residents and commuters who use these important gateway arterial roads. The combined value of these projects is $5.9 million.

Whitehurst Freeway. The D.C. Department of Public Works (DPW) has advertised for bids the $23 million Whitehurst Freeway project, which will rehabilitate this elevated four-lane highway's deteriorated connections to the local highway system. D.C. opened the bids in December; construction should begin in early 1996.

New York Avenue. The FHWA and D.C.'s DPW are working together on designing this project, which will reconstruct the section of New York Avenue that motorists travel as they first enter D.C. from Maryland. The estimated $28 million project would rebuild roadways and rehabilitate structures over existing railroad lines and South Dakota Avenue. It also will widen and repave the current roadway and improve lighting and drainage facilities.

This law also requires D.C. to establish a dedicated highway fund from which it may draw funds to maintain D.C. roads and highways. FHWA worked with D.C. to draft city legislation to implement this fund, which will include all gas tax revenues and revenues from traffic adjudication.

D.C.'s DPW asked the FHWA, in conjunction with private experts, to evaluate the city's policies and procedures in traffic and safety, planning, project development, procurement, construction inspection, contract administration, and maintenance. In January, FHWA intends to give DPW recommendations on how to improve its operations.

V. Education

D.C. Desk. The Department of Education's D.C. Desk has set a new standard for customer service within the Department by providing a single point of access -- "one-stop shopping" -- for D.C. school personnel to Department resources. Local school teachers and employees can call the D.C. Desk for information on teaching strategies and programs that have worked in other schools.

- In response to Superintendent Smith's desire to develop a common vision for charter schools, the Education Department provided a neutral forum in which

school board members, lead principals, union leaders, and the superintendent's management team could talk to a nationally-recognized charter schools expert. This conversation, which Superintendent Smith plans to continue, was only one of several meetings the D.C. Desk convened in the last two years to help the different players in the D.C. school system reach a common understanding of how to improve D.C. public schools.

The D.C. Desk helped Scott Montgomery Elementary School develop a study program to introduce students at every grade to the resources of Washington, D.C. At the school's request, the D.C. Desk spoke with the educational staff of museums, art galleries, parks, and other organizations that enrich the cultural life of the city. The school is now using the program -- "Know Your City" -- to help Scott Montgomery students learn about their hometown.

The Department also has arranged for "school safety audits" of violence prevention policies and practices in some of the city's most troubled schools, in order to identify areas that need improvement. The Department follows up with training and technical assistance.

Amidon School Partnership. In March 1994, the Education Department "adopted" the Amidon Elementary School. Department employees volunteer at Amidon, using training they received to teach a Houghton Mifflin reading series used in all D.C. elementary schools. Every classroom in grades 1-6 receives three tutors, and each tutor dedicates at least one hour a week in the classroom, increasing the attention each student receives.

The Department hopes to develop in-house trainers, and to offer to train its own employees with children in D.C. elementary schools and any other employees who volunteer to tutor in the D.C. schools.

VI. Health Care and Social Services

HHS has provided technical assistance to help D.C. acquire the management tools it needs to improve its social services, income maintenance, and public health programs.

HHS' Administration for Children and Families has conducted training to change the "culture of welfare" for D.C. staff working on Aid to Families with Dependent Children (AFDC), Child Support Enforcement, and the Job Opportunity and Basic Skills Training (JOBS) programs. A JOBS project, involving the Marriott Corporation and the local Private Industry Council, gave work experience to 1,000 participants. Because D.C. met its first-year goal, it expects the project to continue in January.

- HHS is working with the newly-appointed receiver for child protection in D.C. to improve accurate Federal foster care and adoption assistance (Title IV-E)

reimbursement claims procedure. HHS also is helping D.C. to improve its procedures to determine eligibility for foster care and adoption assistance under Title IV-E.

HHS is helping D.C. create its Statewide Automated Child Welfare Information System (SACWIS). SACWIS may significantly improve D.C.'s ability to collect, process, and manage information monitoring progress and risks in foster care cases; measure the incidence of abuse or neglect in foster care cases and help determine how to prevent such incidents; and help to automate the case tracking procedure. HHS also is working with the receiver to revise its requested IV-E waiver to allow Federal funding to be used to *prevent* children from being placed under foster care, rather than simply allowing the foster care population to increase.

HHS is providing technical assistance to resolve D.C.'s underclaiming of available child care matching funds, which principally results from the city's decentralized and outmoded data collection and tracking system. The agency also recently provided up to 200 additional Head Start slots to D.C. to accommodate children who would have been cut off when local funding ran out. HHS is helping D.C. obtain its Head Start/State collaboration grant to coordinate Federal Head Start with city child care, and working with D.C. and the private sector on a major "healthy child care" initiative and fair, scheduled for next April.

HHS has assigned several employees to help D.C. address basic grant management issues, such as applying for Federal public health grants and meeting matching and maintenance-of-effort requirements. HHS has completed a study assessing the condition of D.C. public health facilities (i.e., D.C. General Hospital and the city's 11 public health clinics). The future role of these facilities, and the restructuring of the city's primary care network, are subjects of a joint Public Health Service (PHS)-District public health task force. HHS also is working with the D.C. Commission on Mental Health Services to provide counseling for young people who witness or are victims of violent crime or abuse.

In addition, HHS's Health Care Financing Administration (HCFA) has lent staff from its Regional Office to help D.C. manage Medicaid data and payment and reconcile old health care reimbursement claims. This technical assistance includes helping D.C. speed up provider payments, establishing payment methodologies for its managed care program, and developing a possible "home and community-based services" waiver for adults, to encourage lower-cost long-term care in neighborhoods rather than institutions.

HHS waived the Medicaid rules for three years to allow D.C. to test voluntary managed health care for the city's low-income disabled and special needs children. Under the waiver, Health Services for Children with Special Needs, a non-profit managed care corporation, will provide a case manager to coordinate the health care of each child whose parents elect to participate. Participants, on a case-by-case basis, would receive enhanced benefits, including transportation, respite care, medical access by telephone, home modifications, and feeding programs. The city expects to save money by helping children move to less expensive home care arrangements, and by cutting unnecessary emergency room use.

VII. Public Safety

In 1994, through the Federal Assistance Program, nearly every Federal agency with law enforcement responsibilities -- from the Drug Enforcement Agency (DEA) to the IRS -- participated in a coordinated strategy to help D.C.'s Metropolitan Police Department (MPD). Highlights of the program include:

The United States Park Policy and the Uniformed Division of the Secret Service initiated new or intensified patrols in selected parts of the city. From late February to September 1994, the two agencies made about 2,482 arrests, responded to over 4,500 calls for service and seized over $325,000 worth of drugs.

The Justice Department, through the Bureau of Justice Assistance, awarded funds to the MPD Homicide Branch, enabling the branch to quadruple the number of homicide detectives, train investigators, and upgrade technology -- all of which contributed to a rise in the closure rate for homicide cases in 1994.

The Justice Department awarded a $1 million grant to OPERATION CLEAN-UP, enabling the MPD Firearms Identification Unit to eliminate a backlog of about 2,000 firearms requiring examinations. The FBI housed the operation, providing equipment and technical assistance.

The U.S. Marshals Service, which normally provides long-term witness protection, is providing short-term protection to witnesses and victims in the District. Since 1994, about 58 witnesses have entered the program.

The Federal Protective Service and the FBI helped MPD with background checks of police recruits, and the Defense Department has

allowed MPD to use its registries of armed forces personnel who are leaving their jobs and who would make good candidates for MPD.

The Justice Department awarded a $6.1 million grant to D.C., of which $3 million is for D.C. corrections and $2 million is for drug control and MPD improvements in technology, equipment, support resources, and overtime. The rest will go to juvenile justice and delinquency prevention programs, and other crime victims assistance programs.

The Safe Streets initiative, comprising various violent crime task forces, are being staffed and funded mainly by such Federal agencies as the FBI, DEA, and ATF. For the past several years, Safe Streets Task Forces have allowed the MPD to combine its local knowledge with the technical expertise of the FBI and other law enforcement agencies, focusing on gang violence, fugitives, and homicides. Since their creation in the early 1990s, the task forces have brought the arrest of 2,963 fugitives, 417 gang members, and 79 people involved in homicide cases.

The Justice Department awarded funding to OPERATION CEASEFIRE, a joint initiative among MPD, the U.S. Attorney's Office, and ATF. The initiative is designed to reduce violent crime in D.C. by removing illegal guns from the community. In the first four months, gun seizure squads confiscated 282 firearms, including 127 handguns.

The Justice Department's Bureau of Prisons (BOP) has been working with D.C.'s Department of Corrections (DOC) for many years. For example:

BOP's National Institute of Corrections (NIC) is about to complete an assessment study of the status of operations and programs in D.C.'s Corrections Department, as Congress required in the fiscal 1995 District of Columbia appropriation. That study -- which covers such items as classification of inmate security levels and related population management issues, health care, mental health services, staffing, and security -- should be available for Justice to review in mid-January, 1996.

At D.C.'s request, BOP has accepted transfers of D.C. prisoners into its facilities to temporarily alleviate prisoner overcrowding at Corrections Department facilities.

BOP has worked well with its counterparts in Corrections, responding to informal requests for assistance and advice on such topics as suicide prevention and victim assistance, and on general administrative and security issues.

Next Steps

The Administration is continuing its efforts to help D.C. on its path to fiscal health. A number of issues deserve special attention:

Unfunded pension liability. Under the 1979 Retirement Reform Act, D.C. assumed responsibility for the retirement system for certain city workers (e.g., police and firefighters, teachers, and judges). At the time, the Executive Branch argued that the Federal government should assume only some costs of the accumulated unpaid employee benefits because the costs were mainly local in nature and the system was overly generous. Together, a generous pension package and a lower Federal contribution have produced an unfunded pension liability now estimated at $5.2 billion.

This liability is D.C.'s single largest obligation, and it creates acute short- and long-term problems. In the short term, D.C.'s annual payments strain its operating budget. In the long term, this pressure likely will worsen as D.C. downsizes its workforce, increasing the number of retirees receiving benefits while the number of employees contributing to the system falls. Furthermore, the annual Federal contribution of about $50 million to the system ends in 2004 so that, without reform, D.C. will be the sole contributor to its pension system. The Administration wants to work with Congress, D.C., and the Authority to put the pension system on a sound financial foundation.

Management reforms. Resolving D.C.'s financial problems will require systemic reforms of its management policies, including personnel, procurement, financial management, and contracting. D.C. has begun work on each of these issues, and the Administration will continue to lend D.C. technical expertise wherever needed.

One example is the privatization task force. The Mayor established this panel to examine ways to provide more cost-effective and efficient city services. Representatives from OMB and the National Performance Review are providing technical assistance.

* * *

The months since D.C.'s financial crisis peaked have witnessed an unprecedented level of cooperation among people and institutions who care about the District. The President remains committed to helping put D.C. back on the path to financial health, enabling it to give its residents the services that they deserve and to make all Americans once again proud of their capital city.

APPENDIX A
DISTRICT OF COLUMBIA FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE ACT OF 1995

SPONSOR: Representative Thomas M. Davis III (R-VA)

CO-SPONSORS: (in alphabetical order)
Representative William F. Clinger, Jr (R-PA)
Representative Barbara-Rose Collins (D-MI)
Representative Cardiss Collins (D-IL)
Representative Julian C. Dixon (D-CA)
Representative Chaka Fattah (D-PA)
Representative Michael Flanagan (D-IL)
Representative Gil Gutknecht (R-MN)
Representative Steven C. LaTourette (R-OH)
Representative John McHugh (R-NY)
Representative James P. Moran (D-VA)
Representative Constance A. Morella (R-MD)
Delegate Eleanor Holmes Norton (D-DC)
Representative James T. Walsh (R-NY)
Representative Frank R. Wolf (R-VA)
Representative Albert Wynn (D-MD)

APPENDIX B
FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

MEMBERS

Andrew E. Brimmer, Chair
Stephen D. Harlan, Vice Chair
Constance Berry Newman
Edward A. Singletary
Joyce A. Ladner

STAFF

John W. Hill, Executive Director
Daniel Rezneck, General Counsel

APPENDIX C
D.C. TASK FORCE
LIST OF MEMBERS

Alice M. Rivlin, *Chair*	Director	Office of Management and Budget
Alexis Herman	Office of Public Liaison	White House
Eleanor Acheson	Assistant Attorney General For Policy Development	Department of Justice
Bernard Anderson	Assistant Secretary, Employment Standards Administration	Department of Labor
G. Edward DeSeve	Controller	Office of Management and Budget
Peter Edelman	Counsel to the Secretary	Department of Health and Human Services
Kathleen Hawk	Director	Bureau of Prison, Department of Justice
Eric Holder	U.S. Attorney	District of Columbia
Bruce Katz	Chief of Staff	Department of Housing and Urban Development
Madeline Kunin	Deputy Secretary	Department of Education
Robert E. Litan	Associate Director, General Government and Finance	Office of Management and Budget
John Monahan	Director, Intergovernmental Affairs	Department of Health and Human Services
Rodney Slater	Administrator	Federal Highway Administration
Larry Summers	Deputy Secretary	Department of the Treasury
Mozelle Thompson	Deputy Assistant Secretary	Department of the Treasury

This was sent
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Erskine
Bowles.
- Rebecca

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Dorsland

1/2/96
Send to Dorsland
for reply
Yes ✓
No ____
Coord w/ ~~Hale & Dorr~~ Counsel?
Greg Simon

C.

North Carolina General Assembly
State Legislative Building
Raleigh 27601-1096

96 JAN 2 P3:33

REPRESENTATIVE L. W. LOCKE
DISTRICT 7
HALIFAX, NASH, EDGECOMBE AND MARTIN COUNTIES
RALEIGH OFFICE
1017 LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27601-1096
TELEPHONE (919) 733-5530
FAX (919) 733-2599
ENFIELD OFFICE
P. O. BOX 398
ENFIELD, NORTH CAROLINA 27823
TELEPHONE (919) 445-5131

COMMITTEES:
INSURANCE
RANKING MINORITY MEMBER
AGRICULTURE
APPROPRIATIONS
TRANSPORTATION
HEALTH AND ENVIRONMENT

December 20, 1995

Honorable Bill Clinton
President of the United States
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Clinton:

It is my understanding that Congress is preparing to send you comprehensive legislation to overhaul the Nation's telecommunications laws. H. R. 1555 is currently in a conference committee following passage in the House and Senate.

I am writing to urge your support of H. R. 1555, Communications Act of 1995, because this comprehensive legislation will open telecommunications markets to competition and mean greater choices , newer products and services that consumers want at lower prices. The effect of this legislation will promote competition and reduce regulation in order to secure lower prices and higher quality services.

Experts estimate that open competition in all telecommunications markets will create over two million jobs in this country by the year 2000, over 65,000 of them in North Carolina. As a past National President of the Petroleum Marketers Association of America, it is my opinion that this legislation will be good for businesses and consumers alike.

I urge you to sign this legislation once you receive it from the Congress. Thank you for your consideration.

Sincerely,

L. W. Locke

THE WHITE HOUSE • OFFICE OF COMMUNICATIONS • (202) 456-5642 • FAX (202) 456-2878

WALK THROUGH

OK

TO OVERNIGHT

1/2/96

FORM LETTER

Code: P-341b

Topic: Small Business 8(a) programs

PLM Writer: Kyle Baker

Document Name & Directory Location: slr/draft/sba 8a

Cleared By: Stephanopoulos; Kumiki Gibson, NPR

☒ New Form
☐ Revision

		Date	Initial
MFL	Hold/Created	12/13	KB
MFL	Assigned		
	Written		
(PLM)	Referred for Clearance		
	Clearance Received/Final Submitted	12/13	KB
MFL	To Review	12/13/95	lla
MM	Reviewed	12/13	KB
MFL	To Mail Analysis	12/14/95	lla
(MA)	Entered	12/15/95	ac 12/27
MFL	To Director	12/15/95	lla
JD/JM	Final Director's Approval	12/18/95	JMD
MFL	To Jim for West Wing	12/20/95	lla
(WW)	West Wing Approval		
MFL	To Mail Analysis for Activation		
(MA)	Activated		

DAILY POINTS

THE WHITE HOUSE • OFFICE OF COMMUNICATIONS • (202) 456-5642 • FAX (202) 456-1213

THE WHITE HOUSE

WASHINGTON

December 27, 1995

Mr. John M. Doe
Title
Organization
Business Adr1
Business Adr2
Business City, BState BZip-BZip9

Dear John:

Thank you for sharing your views with me regarding the Small Business Administration's section 8(a) program.

As you know, the 8(a) program was established to promote and assist socially and economically disadvantaged business persons in gaining access to the resources necessary to develop small business, thereby improving their ability to compete on an equal basis in the mainstream of the American economy. The 8(a) program has been a great success for the minority business community. Program statistics show that there has been a steady increase in total program support by federal agencies. During fiscal 1994, the program issued more than $5 billion in contracts to program participants, and participants have received a similar amount for fiscal 1995.

The purpose of affirmative action programs such as the 8(a) program is to give our nation a way to address the systematic exclusion of individuals of talent solely on the basis of their gender or race. But these programs are not without their problems, and in light of the recent Supreme Court case, Adarand Contractors, Inc. v. Pena, some may need to be revised. To that end, I have requested that federal agencies review all affirmative action programs to ensure that they are effective, efficient, and fair, and that they comply with the standards set by the Supreme Court. My Administration's goal is to mend -- not end -- these valuable programs, including the 8(a) program.

I appreciate knowing your concerns. As I continue working to restore the American Dream and strengthen the American commitment to equal opportunity, I am grateful for your interest.

Sincerely,

Bill Clinton

(12/27/95)

DAILY POINTS

THE WHITE HOUSE

WASHINGTON

December 27, 1995

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Title
Organization
Business Adr1
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Business City, BState BZip-BZip9

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Sincerely,

Bill Clinton

(12/27/95)

DAILY POINTS

THE WHITE HOUSE • OFFICE OF COMMUNICATIONS • (202) 456-6643 • FAX (202) 456-1213

THE WHITE HOUSE

WASHINGTON

December 20, 1995

Mr. John M. Doe
Title
Organization
Business Adr1
Business Adr2
Business City, BState BZip-BZip9

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I appreciate knowing your concerns. ~~Although we live in a changing political climate, the 8(a) program has seen only positive effects from those changes.~~ As I continue working to restore the American Dream and strengthen the American commitment to equal opportunity, I am grateful for your interest.

Sincerely,

(12/20/95)

DAILY POINTS

THE WHITE HOUSE • OFFICE OF COMMUNICATIONS (202) 456-2582 FAX (202) 456-1213

THE WHITE HOUSE

WASHINGTON

December 20, 1995

Mr. John M. Doe
Title
Organization
Business Adr1
Business Adr2
Business City, BState BZip-BZip9

Dear John:

Thank you for sharing your views with me regarding the Small Business ~~Association~~ Administration's section 8(a) program.

As you know, the 8(a) program was ~~created and legislated specifically~~ established to promote and assist socially -- and economically -- disadvantaged business persons in gaining access to the resources necessary to develop small business, thereby improving their ability to compete on an equal basis in the mainstream of the American economy. The 8(a) program has been a great success for the minority business community. Program statistics show that there has been a steady increase in total program support by federal agencies. During fiscal 1994, the ~~8(a)~~ program issued more than $5 billion in contracts to program participants, and participants have received a similar amount for fiscal 1995.

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Sincerely,

Bill Clinton

(12/20/95)

DAILY POINTS

THE WHITE HOUSE • OFFICE OF COMMUNICATIONS • (202) 456-5642 • FAX (202) 456-1213

THE WHITE HOUSE

WASHINGTON

December 15, 1995

Mr. John M. Doe
Title
Organization
Business Adr1
Business Adr2
Business City, BState BZip-BZip9

Dear John:

Thank you for sharing your views with me regarding the Small Business Association's 8(a) program.

As you know, the 8(a) program was created and legislated specifically to promote and assist socially -- and economically -- disadvantaged business persons in gaining equal access to the resources necessary to develop small business, thereby improving their ability to compete on an equal basis in the mainstream of the American economy. The 8(a) program has been a great success for the minority business community. Program statistics show that there has been a steady increase in total program support by federal agencies. During Fiscal 1994, the 8(a) program issued more than $5 billion in contracts to program participants, and participants have received a similar amount for Fiscal 1995.

~~As I made clear in a speech last July,~~ the purpose of affirmative action programs such as the 8(a) is to give our nation a way to address the systematic exclusion of individuals of talent solely on the basis of their gender or race. But these programs are not without their problems, and in light of the recent Supreme Court case, Adarand Contractors, Inc. v. Pena, some may need to be revised. To that end, I have requested that federal agencies review all affirmative action programs to ensure that they are effective, efficient, and fair, and that they comply with the standards set by the Supreme Court in Adarand. My Administration's goal is to mend -- not end -- these valuable programs, including the 8(a) program.

I appreciate knowing your concerns ~~about the future of the 8(a) program.~~ Although we live in a changing political climate, ~~the 8(a) program~~ has seen only positive effects from those changes. As I continue working to restore the American Dream and strengthen the American commitment to equal opportunity, I am grateful for your interest.

Sincerely,

Bill Clinton

(12/15/95)

DAILY POINTS

THE WHITE HOUSE • OFFICE OF COMMUNICATIONS • (202) 456-5642 • FAX (202) 456-1213

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SET ASIDES

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JAN U

Per our CONVERSA-

TION.

Sharon

SALLY ANNE MCCARTIN & ASSOC.
PUBLIC RELATIONS

1-2-96

DNH
This does not
ring a bell
with me

12/26
DEB,

This came down over the weekend/Jessica left it but there is/was nothing attached.

Pls check with Oval Ofc. to see what was attached.

s

Carol
12/28
please check w/ Nancy/Betty

THE PRESIDENT HAS SEEN
12/27/95

Ann

The poet Yevgeny Yevtushenko wanted to send these to the First

THE PRESIDEN
12-2

THE PRESIDENT HAS SEEN
12-23-95

Betty

To:
President
Bill Clinton
From:
Bill & Lee
Humble

GIFT
UNIT

12/27

C
We need to check w/ Oval
What did they send

S

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plea