

THE PRESIDENT HAS SEEN

1/29/96

**Adequately Supporting
Transportation Infrastructure Investment
and Avoiding Excessive Trust Fund Balances**

*Panetta
given the
original
magazine*

Federal Gasoline Taxes:

- 12.5 cents of the gas tax accrues annually to the Highway Account of the Highway Trust Fund.
- 2.5 cents of the gas tax accrues annually to the Transit Account of the Highway Trust Fund.
- of the 6.8 cents levied on gasoline in 1993 for deficit reduction, 2.5 cents has now (1996) been returned. 2.0 cents has gone to the Highway Account and .5 cents to the Transit Account.

The Problem:

- Current law and declining discretionary caps seriously reduce transportation infrastructure investment over the next 5 years.
- Constrained obligations also results in excessive and politically embarrassing trust fund balances.
- AMTRAK has no reliable source of capital funding.

Proposed Solution:

- Place the Highway Trust Fund on the mandatory side of the budget (gains stability).
- Make program obligations equal to revenues collected each year for 7 years (we spend what we take in, which constituents will like and we assure increased outlays for infrastructure).
- Of the 2.5 cents just returned to the Trust Fund, reallocate 1.3 cents back to the Treasury for deficit reduction (an OMB sweetener).
- .7 cents is added to the Transit Account which permits fully funding Transit capital from the Trust Fund and also provides a reliable source of funding for AMTRAK capital.

Impacts:

- Trust Fund balances don't grow excessively.
- Infrastructure investment for Transit and Highways is stabilized and increases slightly.
- AMTRAK acquires a reliable funding source for capital expenditures.
- Deficit will not be increased in 1997, but will increase in subsequent years.

Public Roads

Winter 1996



President Signs NHS Act
NOVEMBER 28, 1995



U.S. Department
of Transportation
Federal Highway
Administration

President's Statement
Page 29

96 JAN 26 P4: 53

26 January 1996

MEMORANDUM TO THE PRESIDENT

THE PRESIDENT HAS SEEN

CC: Leon Panetta
Evelyn Lieberman
Mike McCurry
Don Baer

1/29/96

From: Harold Ickes 

Re: Lanny Davis' 18 January 1996 interview on Rivera Live

Attached is a video cassette of the above referenced appearance by Lanny Davis on 18 January on Rivera Live.


Get this to
Ann Lewis

SONY

Broadcast
Video Cassette

RIVERA LIVE 11/18/96
LARRY DAVE "HILARY"

Professional
Grade
DATE

☐ T-30
☐ T-60
☐ T-120

VHS

13096
F28428

Bowel

THE PRESIDENT HAS SEEN

1/29/96

MEMORANDUM FOR MELANNE VERVEER

From: RBR 
Re: Gov. Bill Weld's "State of the State" Address
Date: January 16, 1996

Weld gave the attached address last Tuesday night. Thought you'd be interested. The speech has a predictable right-wing spin, but it also previews his contest with John Kerry and offers a Republican version of our basic message. Note the central emphasis on the economic anxieties of working people, the importance of corporate responsibility in responding to these anxieties, and the key role of government in providing education, job training, and life-long learning to prepare people for better jobs. He challenges business to take a more active role in keeping its part of the social bargain. (Note also that he commits Massachusetts to making up for any possible cuts in the EITC which might emerge from the current federal budget negotiation.)



WILLIAM F. WELD
GOVERNOR

ARGEO PAUL CELLUCCI
LIEUTENANT-GOVERNOR

THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE DEPARTMENT

STATE HOUSE • BOSTON 02133

(617) 727-3600

State of the State Address of
Governor William F. Weld

Tuesday, January 9, 1996

State House
Boston, MA

(Remarks Embargoed Until Delivery at 7:30 p.m.)

President Birmingham, Speaker Flaherty, and fellow citizens:

A few weeks ago, families all over Massachusetts turned on their televisions and saw workers at Malden Mills standing on a hillside above a raging fire, frightened that they were watching their jobs burn.

For days, this story dominated the headlines, and the people of the Commonwealth held their breath -- until the owner of Malden Mills, Aaron Feuerstein, promised that those paychecks would keep coming and that Malden Mills would rebuild in Methuen.

The intense public interest in these events, and the tidal wave of private charity that flowed towards the workers of Malden Mills, say two important things about Massachusetts: first, that we have many generous people in our midst, and second, that many people felt the plight of Malden Mills' employees in their bones. There are a lot of men and women in Massachusetts who live with the nagging fear that their jobs, too, might turn to ashes at any minute.

This insecurity is hard to see on paper. Since the trough of the recession in 1991, over 180,000 new jobs have been created in this state. Our unemployment rate is now only 5.1%, well below the national average. Between 1991 and 1994, wages grew four times as fast in Massachusetts as in the country as a whole.

Yet, most Massachusetts residents are not complacent when they consider their own prospects -- they're pacing the floor. All through this economic recovery, many of you have wondered, "When are things going to get better for me and my family?"

Wall Street spends a great deal of time celebrating the speed and vigor with which our businesses are becoming leaner and more competitive -- and rightly so. But it's time that we spoke seriously about the side-effects of all this corporate aerobicizing: the insecurity people feel in their work lives and about their futures. It's time we consider what government can do about that.

We know what doesn't work -- pump-priming government spending to make up for the anxieties of the private labor market. They tried that here in Massachusetts in the 1980's. It only made the recession worse. The federal government has been doing it for 30 years in Washington, and the debt that has accumulated as a consequence is one of our biggest national problems.

Out-of-control government spending, by putting a drag on the economy, actually breeds the ills that it purports to cure.

But even if government can never replace the paychecks

generated by a healthy private sector, we in government can do something important for everyone out there struggling to raise a family and maintain a home and keep a car on the road: we can make those paychecks count.

In 1950, the average American family paid only 2 percent of its income in federal taxes. Today, it surrenders almost 25 percent in federal taxes alone! Add in state and local taxes, and 40 percent of the average family's earnings go straight to government. That's a pretty big rock to roll uphill.

Now, we've been chipping away at that rock in Massachusetts with our eleven tax cuts in the last five years. And over the next two years, we're proposing to lower our state income tax rate another half a point, so as to leave half a billion dollars a year more in your pockets, by consolidating hundreds of overlapping state government agencies.

Also, by cutting government regulation, we propose to give you relief from hidden taxation -- like the extra 75 cents or so that needless regulation adds to the cost of a six-pack of beer in Massachusetts.

And if Washington cuts the Earned Income Tax Credit, I propose that the Commonwealth put that money back into the wallets of working people who need it: on the day a federal budget is signed that makes working people without children ineligible for the Earned Income Tax Credit or lowers the maximum income you can earn and still receive it, I will file a bill making up for those cuts. My focus is to see to it that this time next year, every working person in Massachusetts has more money to spend on his or her family, not less.

The second thing government can do to ease economic fear is to make our state more attractive to more employers, to locate or expand here. In an age of mergers and layoffs, we have to keep our eye on one clear goal -- making Massachusetts the headquarters of choice for the employers of the future.

To reach that goal, we must keep on lowering the costs of doing business, as we've been doing since 1991. We took another substantial step forward this past year with a tax cut for manufacturers that encourages investment and job creation here.

If we continue making intelligent tax choices, such as extending the single sales factor to service businesses as well as manufacturers, as Mayor Menino of Boston has proposed, we'll become even more of a world power for financial services.

If we continue making intelligent infrastructure choices --

such as supporting a telecommunications research and development park in Medford, Malden and Everett, and a center for information processing at the great fiber-optics crossroads in Springfield -- we'll become even more of a world capital for telecommunications and the on-line revolution.

At the end of the day, however, the kind of intelligence that matters most, in the competition for jobs, is the intelligence of the men and women who will hold those jobs. Right now, the 1995 Development Report Card for the States gives Massachusetts a grade of "A" for our development prospects -- largely because we have the most skilled and educated workforce in the nation.

And that is one reason why Aaron Feuerstein kept Malden Mills here when other textile businesses were heading south. The kind of workers we produce in Massachusetts are crucial, if you decide to build your success on a trash-into-treasure miracle like recycling soda bottles into a warm winter fleece. As a result of the dominance Malden Mills has achieved through technology, its employees are the highest-paid textile workers in the world.

For people with the skills that match our high-tech workplaces, there's a new definition of job security. It may not mean a gold watch after 30 years with one company; instead, it means having abilities that are in demand at many employers, abilities that you will carry from job to job to job.

Of course, that doesn't help if you're not a software engineer or a machinist -- if instead, you're a middle manager worried about big corporate layoffs, or a bank-teller or book-keeper whose job may become redundant or obsolete.

Here's the bottom line: the biggest challenge we face together right now is making sure we don't divide into big winners and big losers -- that instead, as many people as possible get on that high-skill, high-wage train.

And here's how we hit the bottom line: in the long run, nothing is more critical to this challenge than education and training.

First, we've got to spread educational opportunity around.

With our Education Reform Law of 1993, we've gone a substantial part of the way towards guaranteeing a good K through 12 education for every child. We are putting literally billions of dollars more into our classrooms. A sound second step would be universal school choice, for poor parents as well as rich

parents. A third would be to remove the artificial limit on the number of charter schools, allowing any school to bypass the education bureaucracy and get those dollars straight into the classroom. And a fourth would be for more Massachusetts employers to play the kind of role Texas Instruments is taking in the Attleboro public schools -- giving kids their first taste of the working world through school-to-work programs.

Next, to protect the men and women losing their jobs in today's corporate re-structurings from facing life-long insecurity, Massachusetts has to place serious emphasis on life-long learning. And we've been doing so, through the MassJobs Council, under the leadership of Lieutenant Governor Cellucci. But every year, the federal government sends us almost three-quarters of a billion dollars for job training -- and then guarantees that much of it is squandered by the bureaucracy attached to its more than three dozen programs.

We don't need job training programs stuck in the 1960's -- in other words, somebody filling a classroom with bodies and teaching them auto mechanics just because he has always taught auto mechanics, never mind that the jobs are in computers. If the federal government would block-grant its job training money, we could pass out vouchers to employers and employees -- and let them choose the kind of training that matters. People aren't stupid. They can figure out where the jobs are.

Finally, it's also our job to make higher education affordable to every kid in Massachusetts. By the year 2010, three quarters of all the new jobs in the state are going to require some post-secondary education. I applaud the push to get those tuitions down, and we're doing our part to help parents finance a college education. Our U. Plan allows them to pre-pay tomorrow's tuition at today's rates. We're also helping them borrow for college through the MassPlan. We offer student loans at lower rates and better terms than the federal government, and because we didn't build a big bureaucracy to do it, the taxpayers don't spend a dime to subsidize those loans.

#

The truth is, here in the State House, we've been keeping our part of the bargain. We're working to improve our schools. We've dramatically overhauled our welfare system. And we're making this a much more business-friendly state.

The men and women of Massachusetts are also more than keeping their part of the bargain. You already make up the best-educated workforce in the country, and you are working hard -- many of you two and even three jobs -- to support your families.

Now we must challenge our employers to keep their part of the bargain as well. This year, Aaron Feuerstein's simple, old-fashioned sense of responsibility to the people who work for him struck many of us as a holiday miracle.

And today, I want to say to every other Massachusetts employer something that you already know: that even though you may sell your products and services over the Internet, in Hong Kong as often as in Fall River -- you are still citizens of Massachusetts. You still have a responsibility for the good of the community in which you reside. We know you will value your employees -- and understand that they are not disposable -- and make sure their paychecks grow when corporate profits do.

In this vein, I also hope the employer community will pitch in and help us all reach a goal we share -- ending welfare dependency -- by hiring the 20,000 welfare recipients who are required to work under the landmark welfare reform law the Legislature passed last year.

This new law is important for many reasons, and simple justice is among them. We are on our way to restoring some degree of fairness to the working mothers in this state, who as a group may be the hardest-working people in human history.

One working mother of a two-year old, Tina Tucker, wrote me recently, "I understand if I was on welfare, I could go to a training school free ... I could get a day-care voucher ... I could get food stamps and a check every two weeks. Mr. Weld, that sounds like luxury to me.... Can you explain to me why I should not quit my job and go on welfare?"

Frankly, it's tough to explain why, when our welfare benefits are worth as much as a \$30,000-a-year job.

By making welfare temporary, we're helping to correct this injustice. But equity demands that we also extend more day care to working people. So, with this year's budget, we are proposing to fund thousands more day-care slots for working families -- for a total of almost 22,000.

The connection between welfare reform, and the healthiest kind of economy -- one in which everyone expends effort and makes a contribution -- is obvious. Though our welfare reform law could be described as tough, it's also essentially hopeful. It says to those on welfare, "You must work." But it also says, "We have faith that you can work, just like all the rest of us."

Unfortunately, turning idleness into a lifestyle was not the only damage our old welfare system did -- and it may not even be

the worst damage. Welfare has also promoted illegitimacy on a massive scale by encouraging young women to have children out of wedlock.

Right now, Massachusetts has the highest rate of out-of-wedlock teenage births in the nation: 89 percent. Eighty-nine percent! That's in the best-educated state in America!

It's shocking, but not entirely surprising. If a teenager has a baby out of wedlock, we take care of all the necessities of life for her and her baby -- food, health care, day care, housing -- plus, we give her a \$500-a-month cash grant on top of all this. Such policies have consequences. A sixteen year-old recently told the Boston Globe that the main reason some of her teenaged friends were having babies out of wedlock was to get welfare benefits.

It's time to take away the \$500 a month cash allowance welfare gives unwed teenagers -- because right now, it makes having a baby before you're married, before you've finished school, before you are psychologically or financially ready to support that baby, much too attractive.

The importance of discouraging illegitimacy simply cannot be overestimated. Study after study has proven how harmful it is for children to grow up fatherless. Here in Massachusetts, 84 percent of the juvenile delinquents in the custody of our Department of Youth Services come from homes with at least one absent parent.

#

Of course, all our efforts to secure our children's economic future are meaningless, if we can't protect them from violence in their neighborhoods and in their schools.

In a classroom of 30 schoolkids, all that 27 of them want to do is learn. For too long in the past, our society put the alleged "rights" of the other three kids first.

That's why Paul Cellucci and I fought to give school principals the authority to make sure those kids who want to learn are given the opportunity in a classroom free of violence, free of guns, and free of drugs.

This year, we are filing legislation to double the mandatory minimum penalties for anyone who brings an illegal gun on school property. And if a kid brings a gun into your child's classroom, he should not be allowed in that classroom again.

We also want to double the mandatory minimum penalties for anyone who deals drugs to kids.

Along with guns and drugs, gang violence is one of the biggest threats to the safety of our kids and neighborhoods. Violent gang members belong in prison, and we're going to keep on fighting for tough mandatory minimum penalties to keep them there.

Naturally, if our kids cannot be safe on a playground from sexual predators, then everything else we do to protect them does not matter. It is time for Massachusetts to pass a sex offender registry, so parents know if a convicted pedophile is living across the street. It is also time to put habitual sex offenders in prison for life, so they can never harm our families again.

You do hear the argument these days that mandatory minimum sentences interfere with judges' discretion. I say, that's right. That's exactly what they're supposed to do.

When the courts return dangerous criminals to the streetcorners as fast as the police can haul them in, the public has a right to demand justice. The public has a right to say that people who prey on our neighborhoods and our children deserve to be in prison. It shouldn't be maybe, it should be mandatory.

Finally, for cop-killers and other cold-blooded murderers, there's only one answer: the maximum penalty. The death penalty.

#

Paul Cellucci and I are now in our sixth year of working with Massachusetts legislators for the betterment of our state. Together, we've done a great deal to change the culture of Massachusetts. We no longer talk about which taxes to raise here; instead, we talk about which taxes to cut. We no longer treat criminals as victims and victims as if they were criminals. We no longer serve up welfare as a permanent lifestyle.

Of course, there is more work left to do here. And after listening to me speak for twenty minutes about the steps we should take next on Beacon Hill, some of you may possibly be wondering why I'm asking the people of Massachusetts to send me to Capitol Hill in Washington next year.

Let me tell you why: it is true that we need more of the same here at home. But it is also true that Washington today is messed up like Massachusetts was in 1990! And for Massachusetts to be all that we can, we need a federal government that does its

part to cut its taxes, balance its budget, control its spending; end its inept control over welfare; and pass tough anti-crime laws to help us keep the streets of Pittsfield and Worcester and Lowell and New Bedford safe.

Whether as Governor or Senator, I consider it a great privilege to serve the people of Massachusetts in government. Today I think the stakes are fairly high.

Let me leave you with one thought: for two hundred years, when American parents have held a new baby in their arms -- and my wife and I have been blessed to hold five -- they have always been sure the child would do better than the generation before. Parents used to stand over the cradle and wish that new baby the physical ability to work hard. That was all it took in America. Now that boy or girl needs more.

We in government have a role to play in bringing them the gifts they need for good lives. And of all the gifts within government's purview, a good education in a safe environment is the magic wand that brings opportunity.

It is up to us to make sure that wand is waved over every cradle.

Thank you, and good night.

MEMORANDUM TO THE PRESIDENT

From: RBR 

Date: January 4, 1996

RE: Corporate responsibility

As share prices soar while median wages continue to stagnate and pink slips proliferate, the issue of corporate responsibility to employees and communities looms larger. However the budget negotiations end, the federal government will likely have a more modest role safeguarding the economic security of Americans in coming years -- precisely at a time when the majority of our people are having difficulty battling the headwinds of technological change and global competition.

I agree with D.M. that your economic message should be upbeat: You should emphasize that the first part of our economic strategy -- to create 8 million new jobs and to get control over the federal budget deficit -- has succeeded. But I think it also important to talk about the challenge ahead, the second phase of the strategy, for which the groundwork has been laid: lifting median wages and benefits. This second phase includes education and training, the EITC and a minimum wage increase, of course. But it has another component: Ensuring that employees and communities win when corporations win.

The presumed purpose of balancing the federal budget by shrinking government is to give the private sector more capital to invest, thus widening opportunities and raising earnings for all Americans. But as we are witnessing (eg, AT&T's recent decision permanently lay off 40,000), there is no guarantee that corporations will use the extra money in this way. Maximizing shareholder returns may require investing the extra dollars in production abroad, or in labor-saving equipment intended to reduce wages and cut jobs, or in mergers, acquisitions and divestitures that result in mass layoffs.

You can talk about corporate social responsibility without attacking business, but rather acknowledging that under the current system businesses often have no other choice but to sacrifice employees and communities to the goal of maximizing shareholder returns. The solution is to create economic incentives for corporations to be more accountable to these other stakeholders -- perhaps by eliminating the corporate income tax for companies that achieve a certain standard of performance. I'm attaching a recent essay which you might find helpful in thinking about this.

The Responsible Corporation

Robert B. Reich

If the government is to do less, then the private sector will have to do more. But AT&T's stunning announcement on the first business day of 1996 that it would permanently lay off tens of thousands of employees raises profound questions about the private sector's capacity to take on more responsibility.

I do not mean to pick on AT&T. It is but one in a long line of companies that have delivered large numbers of pink slips during the past few years, despite record profits. Wall Street's initially positive response suggests that AT&T may have done exactly the right thing by its shareholders.

But this is precisely the issue. Do corporations have responsibilities that extend beyond their shareholders?

It has become politically fashionable to argue that movie companies and television networks (and their advertisers) should avoid lewdness or violence, even though these dubious products generate large audiences and fat profits. But what about a corporation's responsibility to its employees and its communities? The sudden loss of a paycheck can be more damaging to family values than a titillating screen performance.

Corporate executives claim, with some justification, that they simply have no choice. Investors are demanding that companies become ever leaner and ever meaner. If employees' wages and benefits can't be justified on the bottom line, they have to go. If an entire community loses its economic base because the company can do it more efficiently elsewhere, then so be it.

Four decades ago, CEOs sang to a different tune. "The job of management," proclaimed Frank Abrams, chairman of Standard Oil of New Jersey in a 1951 address that was typical of the era, "is to maintain an equitable and working balance among the claims of the various directly interested groups ... stockholders, employees, customers, and the public at large." That same year, Fortune Magazine solemnly lectured its executive readers on their duty to be "industrial statesmen" who worked for the good of their employees and communities as well

as their shareholders.

What changed? Competition. In the intervening years, American industry was transformed from comfortable and stable oligopolies to dynamic niche markets. Airlines, telephone companies, utilities, common carriers, and Wall Street itself were deregulated. Global competitors threatened the very survival of American manufacturers. Information technologies flattened hierarchies and radically shortened the time and space between suppliers, wholesalers, retailers, and customers. Entry barriers dropped, allowing even small companies to grab market share from big ones.

Because of all of this, investors have faced an ever-wider array of choices of where to put their money, and at ever-greater velocity. Electronic capitalism has replaced the gentlemanly investment system which had given "industrial statesmen" the discretion to balance the interests of shareholders against those of employees and communities. Now, any chief executive who hesitates even a moment before doing everything possible to maximize returns to shareholders risks trouble.

Ironically, this transformation of the corporation into the sole agent of the shareholder has been accompanied by a growing skepticism about the capacity of government to protect the rest of society. Regardless of how the current budget negotiations are settled, it is safe to conclude that the federal government will in the future have a more modest role in safeguarding the economic security of Americans. States and localities may have more leeway, but far fewer resources. And because they will be competing with other states and locales to attract companies to locate within them, they will be reluctant to impose higher taxes or any other extra burdens.

AT&T workers who receive pink slips are fortunate that the firm is giving lump-sum severance payments based on years of service, along with extra health benefits. That's more than most companies are providing their newly laid-off employees. But these former AT&T employees, like other newly laid-off workers, will likely have less access than did workers several years ago to publicly-financed retraining, job-search assistance, extended unemployment insurance, health care, Food Stamps, and other props to help them get back on their feet. There will be less public funding to support these activities.

The ostensible purpose of eliminating the federal budget deficit is to give the private sector more capital with which to invest, resulting in higher living standards for all Americans. But as we are witnessing,

there is no guarantee that corporations will use the extra resources in this way. The sole goal of maximizing shareholder returns may dictate that the extra funds be invested in production abroad, or in labor-saving machinery designed to reduce wages and cut jobs, or in mergers, acquisitions, and divestitures all resulting in mass layoffs.

How, then, to get the private sector to take more responsibility for their employees and communities? Exhortation will have, at best, modest effect. The most eloquent of moral appeals will be no match for the dispassionate edict of the market. Nor should we seek a return to the era of the industrial statesmanship. Even were it possible to turn the clock backward and enlarge upon the CEO's former discretion about how to balance the interests of shareholders against employees and communities, it is far from clear that society should vest such power in unelected officials.

There is another way. The corporation is, after all, a creation of law. Corporations do not exist in nature. The corporate form of business carries with it special advantages: Investors are not personally liable for damages or bankruptcy, a corporation has the same right of free speech as does an individual and can sue just as an individual does, but can live forever. There are disadvantages as well: Corporations must pay taxes on their incomes, as do the investors who receive dividends, resulting in double taxation.

If we want corporations to take more responsibility, we will have to alter this mix of advantages and disadvantages so that they have an incentive to do so. If we wish profitable companies to keep more employees on their payrolls or place them in new jobs offering similar wages and benefits, upgrade the skills of their employees, share more of the profits with them, remain in their communities, or do other such "socially responsible" things, we have to condition these actions on the receipt of certain corporate benefits. Perhaps the benefits of incorporation should be reserved only for companies that demonstrate such "responsibility." Alternatively (and more likely in these parched political times), perhaps corporate income taxes should be reduced or eliminated entirely for companies that are "responsible" in these ways.

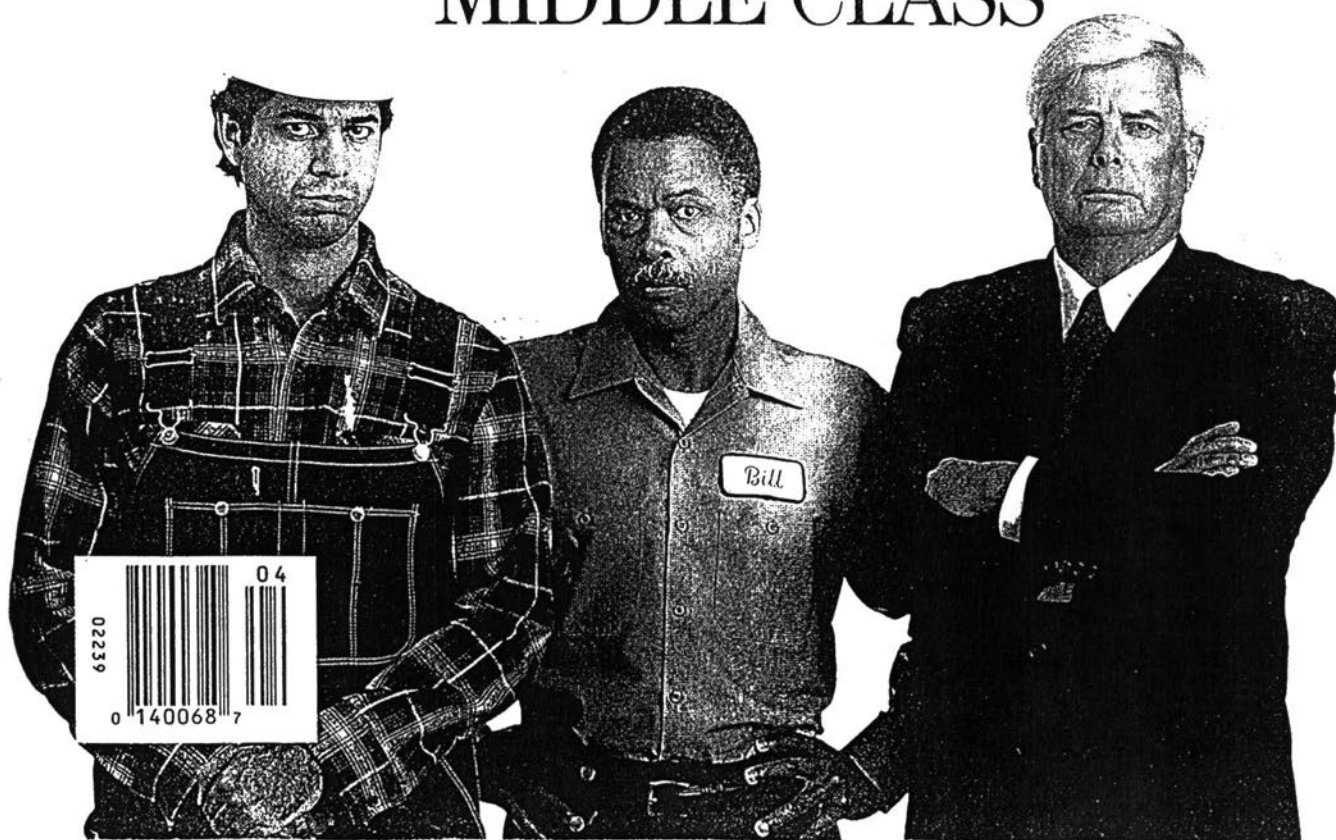
As corporations have focused ever more intensely on maximizing shareholder returns and ever less on improving the standard of living of their workers, it should not be surprising that the stockmarket has soared while pink slips have proliferated and the paychecks of most employees have gone nowhere.

Do not blame corporations and their top executives. They are behaving exactly as they are organized to behave. Should we wish them to put greater emphasis on the interests of their workers and communities, society must organize them to do so. In this era of smaller government, such steps seem warranted.



IS THE AMERICAN WORKER GETTING Shafted?

THE ASSAULT ON THE
MIDDLE CLASS



WORKERS TAKE IT ON THE CHIN

A changing economy is leaving many of them behind: the social and political fallout for '96 and beyond

Ken Bishop, a senior records clerk for AT&T in Morristown, N.J., may hold the key to the 1996 presidential election. He has endured two rounds of layoffs, commutes 110 miles a day, works two jobs—and yet his family income remains stuck at \$40,000 a year, right where it was 10 years ago. But 10 years ago he owned his own home. Now he rents, his wife works—two jobs at times—and he still owes money. So when AT&T said it would lay off another 40,000 workers, the 48-year-old Bishop snapped: “You stop and look at it and say, ‘When is all this going to end?’”

Many voters are asking the same question. Although corporate profits have fattened and the stock market has

soared, the average American family has not benefited from the boom. The gap between rich and poor is growing steadily, and people in the middle, like the Bishops, are going nowhere. Median household income has been flat for 20 years, and workers’ real weekly wages have dropped \$23 or almost 5 percent since 1979. In a new *U.S. News* poll, only 22 percent say the economy is expanding; 67 percent say it is stagnating or declining. “No matter what you do,” says Bishop. “you can’t get out of the hole.”

There are many economic reasons for the growing gap between the rich and everyone else (story, Page 47). But the political implications are clear: Asked to name the biggest problem facing the nation, 47 percent cited pocketbook issues, a jump of 21 points in only eight months. The message is strong and simple: “It’s still the economy, stupid.”

The message cuts across party lines. Republican pollster Ed Goeas, who conducted the *U.S. News* survey with Democrat Celinda Lake, says the wage issue “has the potential to blow through the roof.” Democratic consultant Stanley Greenberg told a recent forum on

SHARE ▶
OF REAL
GROWTH IN
WEALTH
(1983-1989)

BOTTOM
80 PERCENT
1.2%

◀ REAL
AVERAGE
WEEKLY
EARNINGS
(IN 1982 DOLLARS)



NOTE: Numbers may not total 100 percent because of rounding.

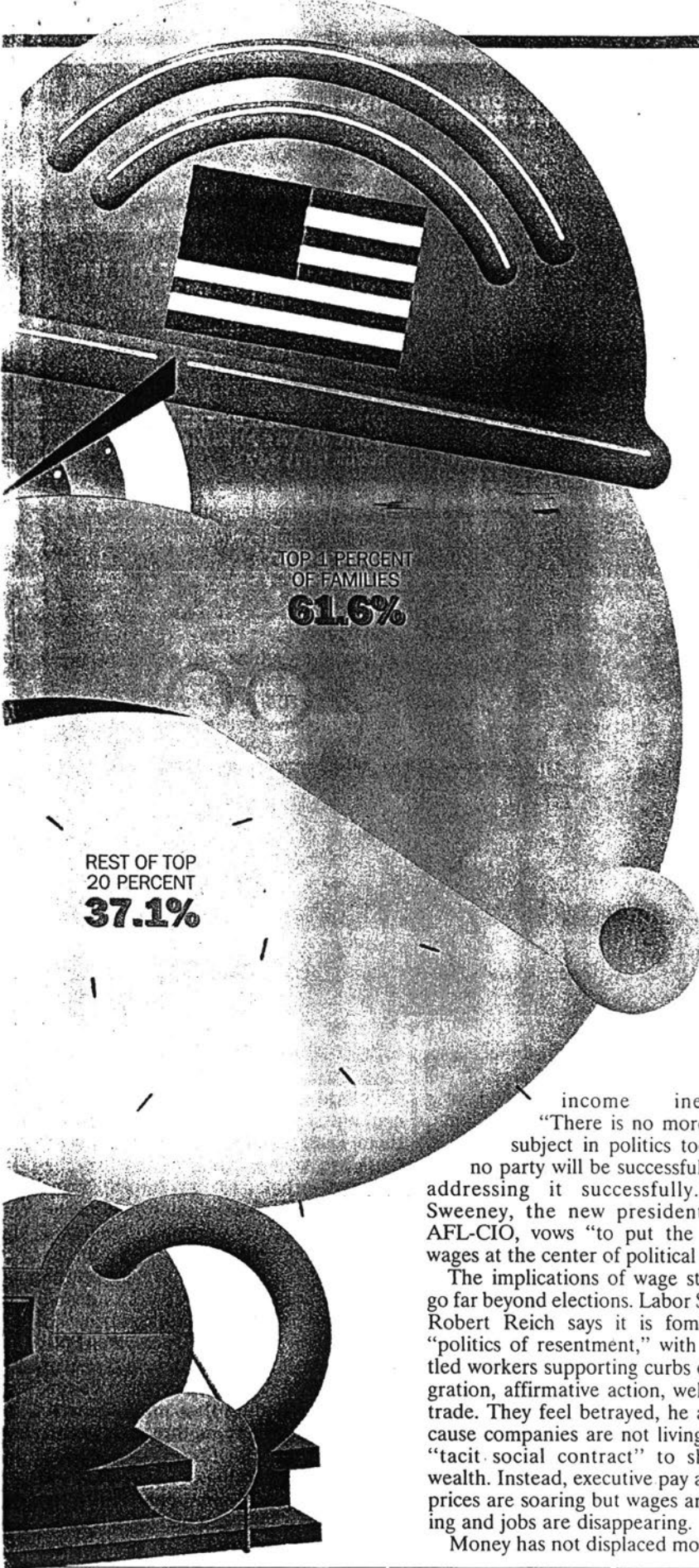
PERCENT WHO SAY THE ECONOMY IS:

Expanding	22%
Stagnating	37%
In a recession	20%
In a depression	11%

WHO HAS GAINED THE MOST ECONOMICALLY IN THE LAST FIVE YEARS?

The upper class	76%
The middle class	6%
The working class	2%
The lower class	6%

U.S. News poll of 1,000 registered voters conducted by Celinda Lake of Lake Research and Ed Goeas of the Tarrance Group January 4-6, 1996. Margin of error: Plus or minus 3.1 percent.



income inequality:
"There is no more central subject in politics today, and no party will be successful without addressing it successfully." John Sweeney, the new president of the AFL-CIO, vows "to put the issue of wages at the center of political debate."

The implications of wage stagnation go far beyond elections. Labor Secretary Robert Reich says it is fomenting a "politics of resentment," with disgruntled workers supporting curbs on immigration, affirmative action, welfare and trade. They feel betrayed, he adds, because companies are not living up to a "tacit social contract" to share the wealth. Instead, executive pay and stock prices are soaring but wages are slumping and jobs are disappearing.

Money has not displaced moral decay

as a political issue. Asked to choose the bigger problem—declining family values or making ends meet—49 percent picked family values and 31 percent named the family budget. But the two issues are closely connected, says Lake: "For many voters, it is economic stress that has fueled a decline in values. Parents must spend so much time fighting for economic survival that they cannot spend the time necessary to teach children values and to protect them from the chaos around them."

Spreading the blame. With the election 10 months away, the political landscape is still volatile. Voters gloomy about the economy voted 2 to 1 for Democrats in 1992 and then backed Republicans by the same ratio in 1994. Now, says Goeas, these voters "do not know where to turn." An increasing number don't think kindly of either major party. Asked whether Democrats or Republicans are most to blame "for the problems we are facing," 3 out of 5 voters said "both." And while 49 percent said government can do "a lot" to improve the nation's economy, 69 percent or more rated both President Clinton and the Republicans poor or fair on four important economic tasks: creating more jobs, promoting better-paying jobs, reducing the deficit and dealing with taxes.

This disillusionment has been compounded by the endless wrangling over the federal budget. "It looks like the politicians are fundamentally out of touch," says Lake. "They're worrying about keeping the Washington Monument open while AT&T is laying off thousands of workers."

But political leaders duck the wage issue in part because they have no solutions. Democrats talk about raising the minimum wage, spending more on education and job training, strengthening unions and making corporations more responsible. Republicans say lower taxes will increase family income while lower deficits and fewer regulations will free capital, spur investment and create jobs. Factions in both parties advocate more protectionist trade laws. But as Andy Kohut, head of the Pew Research Center, puts it: "This is not a quick-fix problem."

Still, the problem poses opportunities and dangers for both parties. James Carville, who advised Clinton to concentrate on the economy in 1992, says the combination of high profits and low wages is fertile ground for a populist Democratic message: "This is not the time to be the gun-control party or the abortion party. It's time to be the paycheck party."

But that won't be easy. The activist Republicans in Congress will share some responsibility for the current economic

BUSINESS & TECHNOLOGY

distemper, but the president ultimately has to run on his record, and that raises two questions. How can he identify with the problems of working families without admitting that he has failed to make their lives better? And how can he promise improvements without resorting to traditional Democratic themes of class warfare? "We won't be talking about soaking the rich or redistributing income, because everyone wants to be rich someday," says one White House adviser.

The missing link. Voters, however, say cutting taxes and balancing the budget would help their families more than anything else, and they have a point: A credible balanced-budget deal would reduce interest rates on home mortgages and consumer credit. Lower taxes and a balanced budget are GOP issues. But Goeas says party spokesmen such as House Speaker Newt Gingrich aren't delivering that message very well.

Republicans are still having trouble convincing Americans that balancing the budget in Washington will better the lives of real people beyond the beltway. "We have to draw the link on a much more personal basis, family by family," says Linda DiVall, a Republican pollster advising Sen. Phil Gramm, a candidate for the GOP presidential nomination. Adds Bill McInturff, who does surveys for Sen. Bob Dole, the Republican front-runner: "We have to say to people, 'Hey, we hear you, we share your fears and we know they're driving you crazy.'"

So far, however, neither Republicans nor Democrats have convinced Americans who are working harder just to stay even that they understand their plight. Kenneth Stroud of Park City, Ill., worked at a printing company in north Chicago for 19 years, eventually earning \$13 an hour. "That was fantastic," recalls Stroud, who earned a high school equivalency diploma in the Army. "I did a great job keeping up with the bills."

But the company closed in 1988, and, like many industrial workers Stroud found himself in a shrinking market. He put out 100 applications and got a job at a tool company. But it closed after three years, and Stroud went on welfare. "I had to keep something in my daughter's stomach," he says. Now he earns \$10 an hour at a company making business forms and moonlights at a bowling alley. His workweek averages 64 hours, down from about 80 hours last year, and Stroud is so strapped that he had to use some of what he had saved for Christmas to fix a toilet in his mobile home.

"I see factory jobs leaving the country because of NAFTA," says Stroud, who

WHAT ARE THE MOST IMPORTANT PROBLEMS FACING THE COUNTRY TODAY?

The budget (deficit/govt. spending)	14%
The economy	14%
Crime	10%
Jobs	8%
Taxes	5%

WHICH ISSUES ARE OF GREATER CONCERN TO VOTERS?

	1/93	8/94	1/96
Pocketbook	45%	18%	47%
Lifestyle	45%	76%	45%

WHAT CHANGES WOULD HELP AVERAGE FAMILIES THE MOST?

A middle-class tax cut	24%
A balanced federal budget	23%
Controlling health care costs	20%

HOW ARE NATIONAL LEADERS DOING IN HANDLING THE ECONOMY?

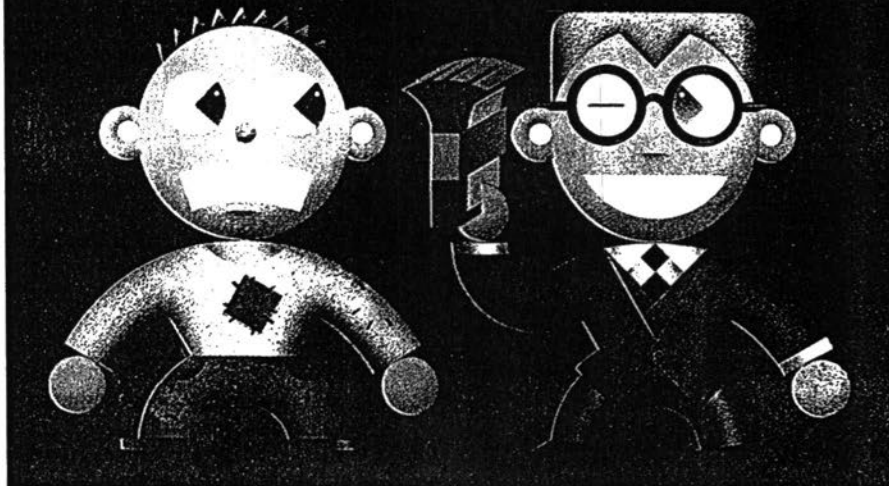
	Excellent/Good	Fair/Poor
President Clinton	28%	70%
Republicans	22%	74%

WHO IS MOST TO BLAME FOR THE COUNTRY'S PROBLEMS?

Republicans	15%
Democrats	15%
Both equally	60%

WHAT SHOULD BE THE MAIN GOAL OF THE PRESIDENT WE ELECT IN 1996?

Strengthening the economy	38%
Providing moral leadership	27%
Solving social problems like drugs and crime	15%



supports Ross Perot because the Texan opposed the agreement. "I think all these other companies are getting a big benefit from it. Now, how are we going to benefit?" He hasn't got much use for other national leaders: "They all say they're going to cut taxes, and until I see it, I don't believe it. Even Clinton said we're going to get a tax break, and what's happened? Nothing. If we've got to shut the government down, then obviously nothing's happening."

Two years ago, Cynthia Pollard was making \$40,000 a year selling computers. She wore suits and heels to work, lived in a tony Atlanta neighborhood and ate out often. Then the company closed its government division, and Pollard was laid off. Between jobs, without health insurance, she totaled her car and suffered a pinched nerve. Now she's a waitress at Zac's, a restaurant in Decatur, earning half her former salary, tak-

ing the bus to work, too exhausted from 14-hour days to think about going out.

Pollard says she usually votes Republican, but she's "not thrilled with any of them. I can't really relate to what any of them are saying anymore, and I've got too many problems of my own to worry much about it." Pollard rarely has time to read a newspaper or watch the news. "The only news that's important to me now is the weather. I find out every morning whether I can walk to work or not. I don't have patience for the rest of it."

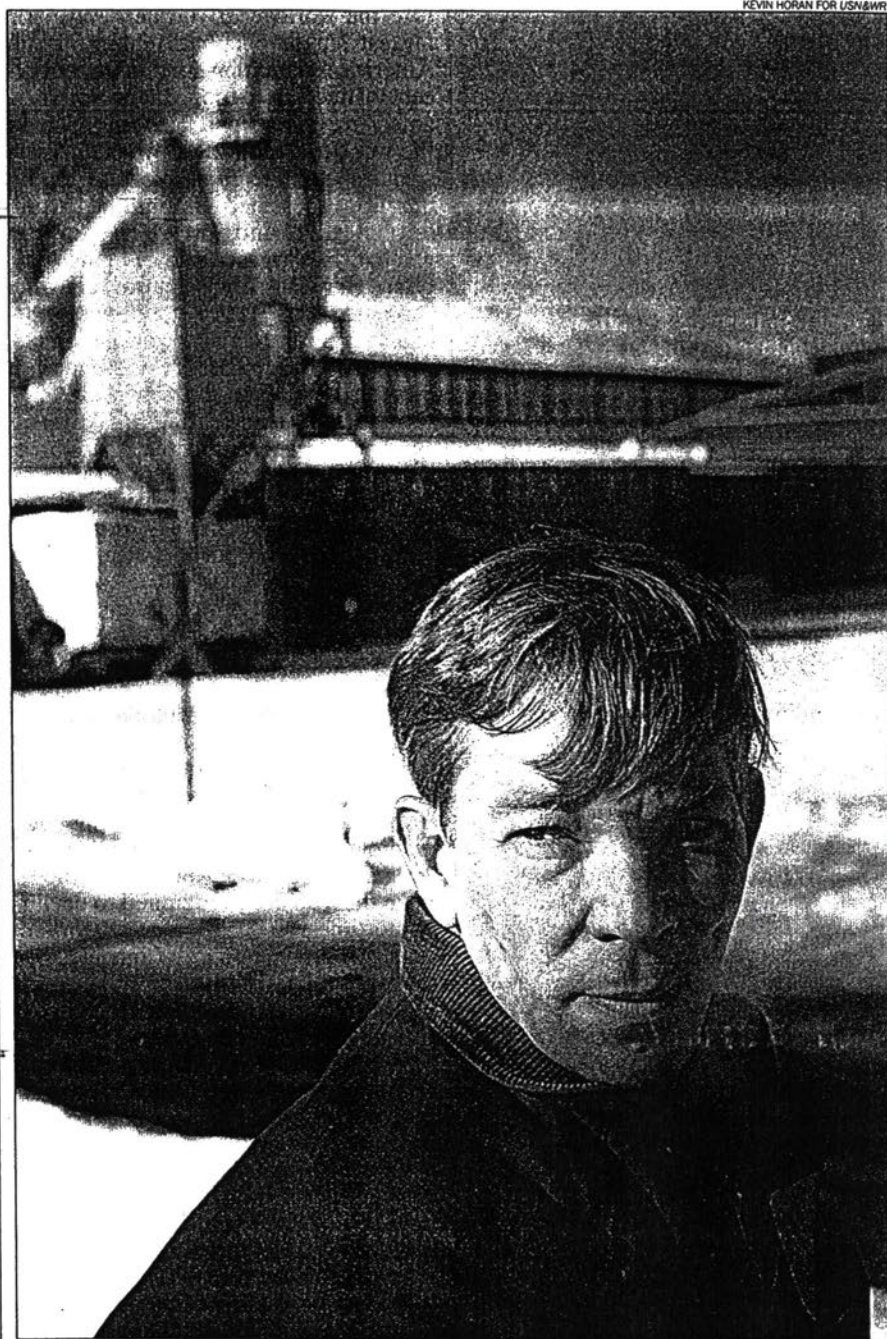
Countless Americans are like Pollard—exhausted, anxious, angry. Any party that wants their votes had better start understanding that working hard and going nowhere is threatening the American dream. ■

BY STEVEN V. ROBERTS WITH DORIAN FRIEDMAN
JILL JORDAN SIEDER IN ATLANTA, DEBRA A. SCHWARTZ IN
CHICAGO AND JONATHAN SAPERS IN NEW YORK

WINTER OF DISCONTENT

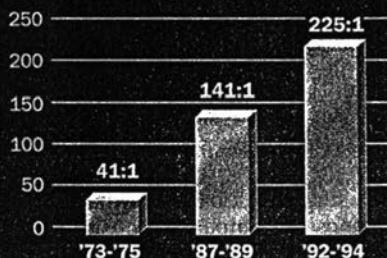
With wages frozen, American workers find themselves out in the cold

Michael Souza was a winner in the American industrial economy. After nearly two decades of factory work, he was making \$20 an hour as a tool-and-die maker for Northrop Corp. With that wage, Souza learned to enjoy the entitlements of the great American middle class: a three-bedroom home with a Jacuzzi in the Los Angeles suburb of Bellflower and a minivan. But in the nine months since Northrop laid off the 40-year-old Californian, Souza has spent much of his time at the Long Beach Career Transitions Center learning that in the new American economy, people like him aren't winning anymore. Good jobs that pay as well as the one he lost are in short sup-



KEVIN HORAN FOR USN&WR

Ratio of average CEO's salary to average American worker's



Note: Refers to CEOs of 10 large companies.
USN&WR—Basic data: Graef Crystal, *The Crystal Report*

USN&WR

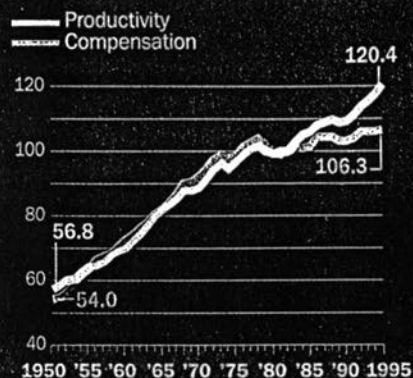
ply. Employers are offering \$6 or \$7 an hour for the work that is available. Now, Souza's unemployment insurance has run out, and if he doesn't start coming up with \$1,400 a month for his mortgage, he will lose his home. So he may have no choice but to swallow such a drastic pay cut. "It's hard to start all over at 40," he laments. "It isn't like I can just move back in with Mom and Dad."

Not everyone at Souza's former company is feeling the pinch. The earnings of Kent Kresa, chairman and CEO of Northrop Grumman Corp., rose to \$1.6 million in 1994, up from \$1.1 million the year before. Souza and Kresa sit on opposite sides of the growing chasm of income inequality in America. Fully three fifths of all households in 1994 did not even keep up with inflation relative to their

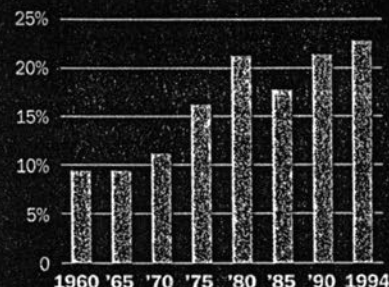
TRIMMING DOWN MANUFACTURING. After 16 years at Kmart subsidiary Huck Fixture in Quincy, Ill., Bob Ruff, 42, was laid off when the maker of Kmart's shelving and checkout counters was closed by its corporate parent.

WHAT'S BEHIND WAGE INEQUALITY

Indexed productivity and compensation (1982 equals 100)



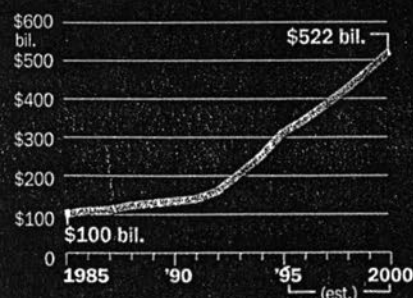
Total U.S. trade as a share of gross domestic product



Change in average earnings by education level (1979-1992)

	MEN	WOMEN
Didn't finish high school	-23%	-7%
High school graduate	-17%	1%
Some college	-7%	8%
College graduate	5%	19%

U.S. corporate outlays for high-tech equipment



USN&WR—Basic data: Morgan Stanley & Co.; U.S. Dept. of Labor; Merrill Lynch

USN&WR

1973 counterparts, while the top 5 percent were awarded a \$56,000 pay raise—even after adjusting for inflation—to \$183,000. "It gives lie to the idea that a rising tide lifts all boats," notes Stanford University economist Paul Krugman. This tide, it seems, raises only the yachts.

Big change. At the heart of the rise in inequality is an unprecedented revolution in the workplace, one of the great work force upheavals in this century—and unquestionably a painful one. Before the world wars, farmers were the largest single occupational group in America, accounting for about 50 percent of the population. Domestic servants were the second biggest group in the work force, and their number grew steadily until the First World War. By the 1950s, these occupations had shrunk dramatically, and industrial workers made up the largest category in the work force. This transformation was relatively painless because factory jobs were usually a step up in pay and working conditions for farmers and servants, who had the skills to take on the new positions.

Today, productive farmers make up no more than 2 percent of the work force, domestic servants are scarce and the number of industrial workers has declined to less than one fifth of the labor force, half the proportion of just a few decades ago. In their place has arisen what management expert Peter Drucker has termed "knowledge workers." Drucker predicts that by the year 2000 at least one third of the work force will fit in this category. Just as before, the new jobs offer economic improvement. But unlike the previous transformation, the new positions require sophisticated skills, creativity and a command of cutting-edge technology that the production line never demanded. Those who are unable to make the leap are condemned to declining fortunes while knowledge workers take on a growing share of income.

Richard Landman, a former retail salesman in Chicago, understands how difficult it is to upgrade careers. After leaving his sales position, Landman realized that he knew several people who were looking for employment in the computer industry. Working from his bedroom, he started a job-placement business and began making calls to secure high-tech posts for these individuals. Landman sweated through several lean months before receiving his first commission. The checks are now coming in fairly regularly, but it will take a number of months before Landman's income returns to what it was during his retail days.

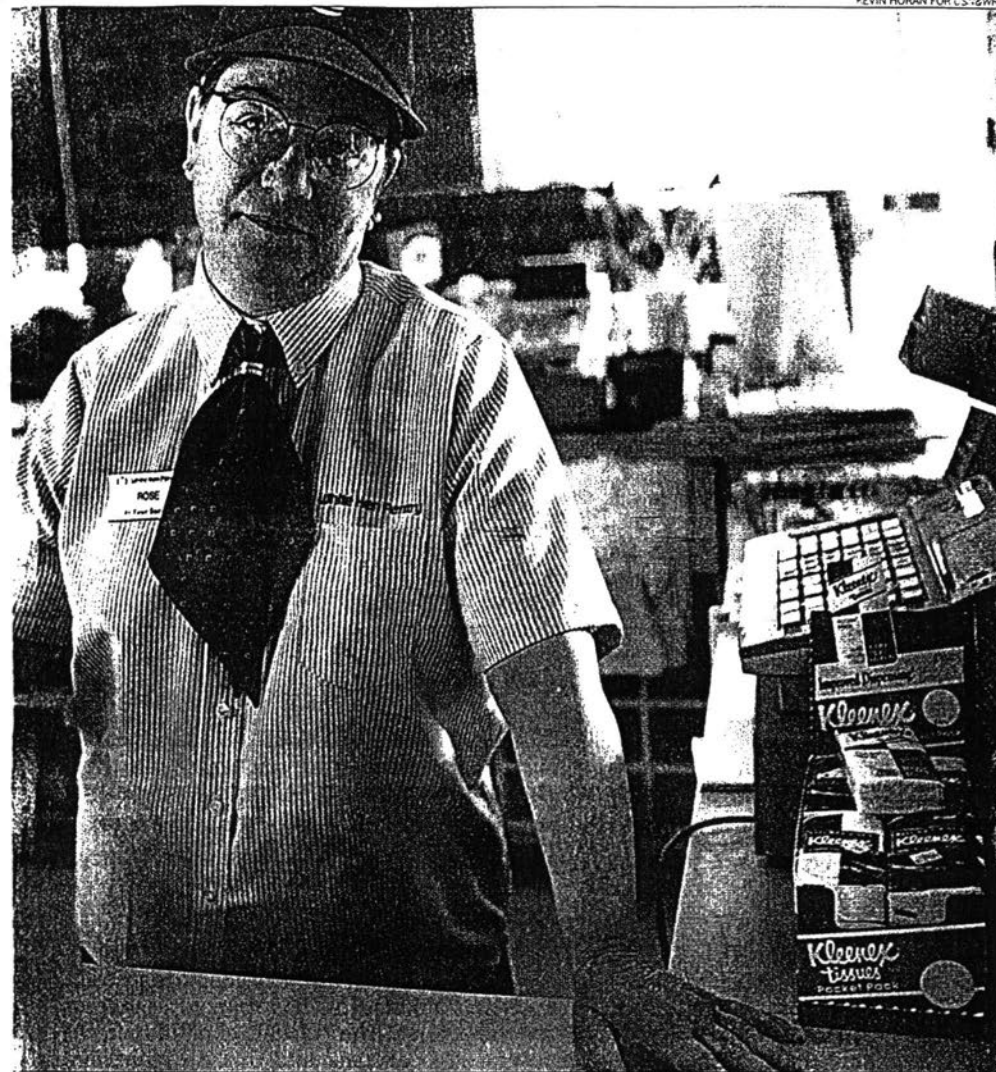
In addition to the shift in skills needed for the new knowledge-based work force, the income gap has widened be-



cause surging global trade has created an intensely competitive business environment. Education also plays a key role in determining income growth. Since 1979, for example, the only men who have made gains in weekly earnings as a group are college graduates.

Legions of ordinary Americans, left behind by the knowledge revolution, have not even made up the ground they lost in the 1990-91 recession. In 1994, only the richest fifth had recovered their post-1989 losses. In the 12 months ended Sept. 30, 1995, total compensation—which includes wages and benefits—grew at the slowest rate recorded since 1981, despite low unemployment, record corporate profits and rising productivity. Rose Pakis of Chicago, who makes less than \$15,000 a year working long hours in both a convenience store and a tavern, has a simple explanation for the problem. "Wages don't go up," remarks the 50-year-old Pakis, "but prices do."

The poor and the rich make up a growing share of U.S. families today. While



TRYING TO MAKE ENDS MEET. Rose Pakis of Chicago, 50, makes less than \$15,000 a year working behind the counter at the White Hen Pantry convenience store and at the Dram Shop tavern across the street, where she tends tables.

there were sharp increases in the percent of child-rearing families struggling on less than \$10,000 a year as well as the percent enjoying more than \$70,000 in the two decades after 1969, most income groups between those two extremes have shrunk. The number of those making between \$20,000 and \$40,000 in 1989 dollars fell from nearly half of all families with children to around a third. Economic polarization in the United States has reached levels not seen since the *Great Gatsby* era of the late 1920s. A new report by the Organization for Economic Cooperation and Development shows that America has the most unequal distribution of income among the advanced industrialized nations.

Wealth. The picture is even more stark when it comes to wealth—market-

able assets such as stocks, real estate and savings accounts—as opposed to annual income. According to New York University economics professor Edward Wolff, the share of total wealth held by the richest 1 percent of families nearly doubled between 1979 and 1992. Today, a full 42 percent of all marketable assets rest in the hands of a select group that holds a minimum of \$2.3 million per family. Meanwhile, the median family, with wealth of about \$52,000, inched up by less than 10 percent between 1979 and 1992. Middle-income Americans have most of their assets in their home and their savings, while the rich keep a higher percentage of their wealth in financial instruments such as stocks and bonds. Housing prices haven't kept pace with the torrid stock market, and the middle class has virtually stopped accumulating

savings. While the wealthy have been running up huge gains in the stock market, middle-income Americans have been running up credit-card debt to compensate for stagnating wages. Americans may still picture Britain as the epitome of the class-based society, but wealth is far more concentrated among the upper crust in the United States today than it is in the United Kingdom.

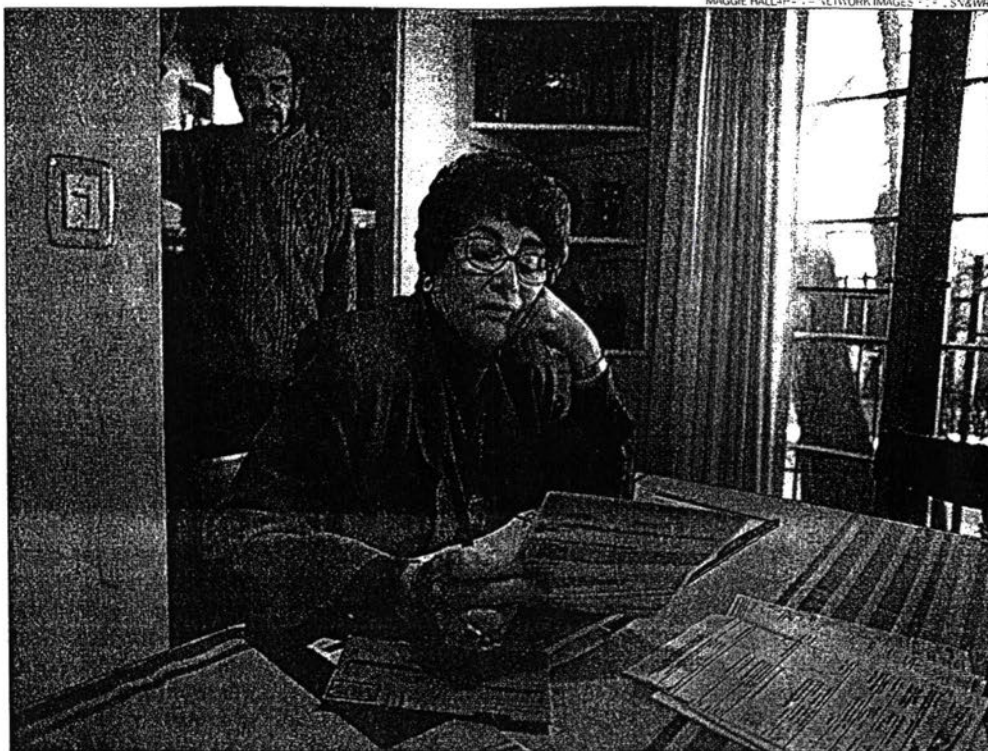
The spreading gap between rich and poor has reached the point where it is alarming leaders in the corporate world as well as in politics. "Even those of us in business can see that this can't be the right answer for this country, either socially or economically," says Steven Rattner, a managing director at the investment bank Lazard Frères. Stephen Roach, chief economist with Morgan Stanley, frets that the economic disparities will culminate in a "worker backlash."

The worst fear is that economic inequality is dividing the nation itself. In a December commencement address, Secretary of Labor Robert Reich warned graduates that the "secession of successful America" into a world where its inhabitants can live, work, play and move about with minimal contact with the less fortunate majority "threatens our nation's prosperity and stability." Reich added, "You won't want to live in a society sharply divided between winners and losers." Economist Krugman sees a psychological toll on those who measure their own achievements against the progress of those winners. "What it takes today to regard yourself as successful," explains Krugman, "is increasingly out of reach."

In the economic realm, Rattner and others worry that stagnating and declining real wages for the majority of Americans are crimping growth as consumers are forced to restrict their spending habits. That fear became reality for many of the nation's retailers this past Christmas as they tallied up one of their worst Decembers in recent memory. According to research by Salomon Brothers, 1995 ended with the weakest retail sales growth the firm has measured in a decade. Middle-income consumers have been building up debt loads for years on the assumption that the next raise would help pay down those obligations. Now they have stopped fooling themselves. Not surprisingly, stores catering to the wealthy escaped the Christmas blues. At Tiffa-

ny's, for instance, same-store sales were up 13 percent compared with those of December 1994. Meanwhile, middle-market department stores like Macy's, which have struggled for years, continue to face difficulties. And now retail troubles are spreading through the low-end discount market as Kmart, Ames and other value-oriented chains fight for survival.

How did we come to this great divide? How did the Ozzie-and-Harriet years—in which the poor, the middle class and the rich all advanced at more or less the same, brisk rate—slip away? In addition to the shift from a nation of factory workers to a nation of knowledge workers, Massachusetts Institute of Technology economist Frank Levy points to several key historical events that have undermined wages. The first is the 1973 oil-price increase by the Organization of Petroleum Exporting Countries, which ushered in a period of high inflation. Rising prices allowed employers to give raises that appeared to be growing but that actually were shrinking in real terms. At the same time, rising inflationary expectations led to unusually high interest rates, which prevented capital investment, a catalyst for rising productivity and wages. Higher interest rates in the late 1970s made the dollar stronger and imports cheaper. This introduced U.S. manufacturing workers to the harsh reality of foreign competition. Much of this competition came from Germany and Japan, as well as from other high-wage industrialized nations that were able to ship autos, steel and machine



LAYOFFS. Since she was caught in a corporate downsizing at Thrifty Drug Stores in Los Angeles, Mimi Young, 68, says that all she has been offered after more than a year of looking are menial jobs at half the salary she earned during her 18-plus years at Thrifty.

tools into the United States, displacing many American workers.

Squeeze. Since then, the competitive squeeze has spread well beyond factory workers exposed to the pressures of international trade; today, virtually every sector of the American economy is in a vise because of commercial rivalries around the globe. The result is a huge wave of downsizings and unremitting job insecurity that persist more than four years into the expansion. Last year, U.S. corporations announced nearly a half-

million layoffs. Deregulation and technological changes have heated up domestic competition in many industries. In banking, this has spurred a wave of mergers. The recent combination of Chemical Bank and Chase Manhattan, for example, is expected to lead to the elimination of 12,000 out of 75,000 jobs. Some 70,000 positions have been cut from the banking industry over the past five years, but a study by Deloitte & Touche predicts that 450,000 more banking employees will lose their jobs in

GROWING INCOME INEQUALITY

Share of net worth held by top 1 percent of households



Note: Figures are adjusted for inflation unless otherwise noted.

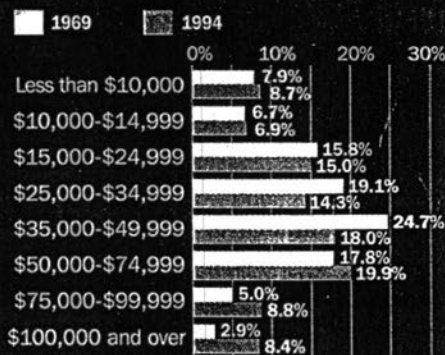
Changes in average family income (1977-1992)

Poorest fifth	-17%
Next poorest fifth	-7%
Middle fifth	1%
Next richest fifth	6%
Richest fifth	28%
Top 1%	91%

Changes in average household incomes (in 1994 dollars)

	1973	1994
Poorest fifth	\$7,981	\$7,762
Next poorest fifth	\$19,988	\$19,224
Middle fifth	\$32,661	\$32,385
Next richest fifth	\$46,953	\$50,395
Richest fifth	\$83,271	\$105,945

Percentage of families at various incomes



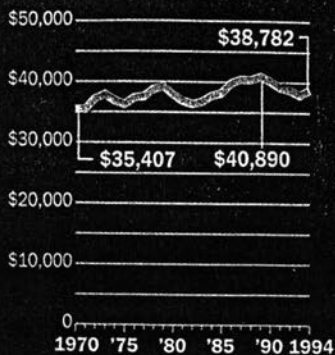
USN&WR—Basic data: Center on Budget and Policy Priorities; Congressional Budget Office; U.S. Department of Commerce; Prof. Edward N. Wolff, New York University

USN&WR

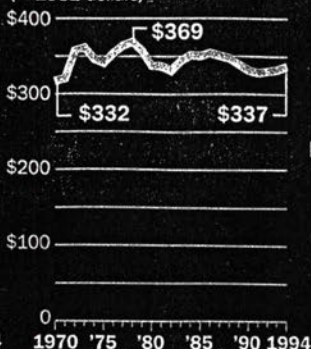
WORKERS' WOES: WEAK INCOME AND JOB INSECURITY

USN&WR

Real median family income (in 1994 dollars)



Real weekly earnings in manufacturing (in 1982 dollars)



Professions from which the top 1 percent of wage earners derive their income



Largest layoff announcements (1993-1996)

COMPANY	DATE	LAYOFFS
IBM	July 1993	63,000
Sears Roebuck	Jan. 1993	50,000
AT&T	Jan. 1996	40,000
Boeing	Feb. 1993	28,000
Digital Equipment	May 1994	20,000
GTE	Jan. 1994	17,000
Nynex	Jan. 1994	16,800
AT&T	Feb. 1994	15,000
Delta Airlines	April 1994	15,000
Lockheed Martin	May 1995	15,000

USN&WR—Basic data: U.S. Dept. of Commerce; Congressional Budget Office; WEFA Group; Challenger, Gray & Christmas Inc.; Robert H. Frank and Philip J. Cook

the next decade. In telecommunications, AT&T announced this month that it will slice 40,000 positions over the next three years; over 140,000 phone jobs have been lost since 1993, and tens of thousands more layoffs are expected in the industry. And where downsizings are the norm, wages rise slowly, in part because workers are too fearful of losing their jobs to demand more money.

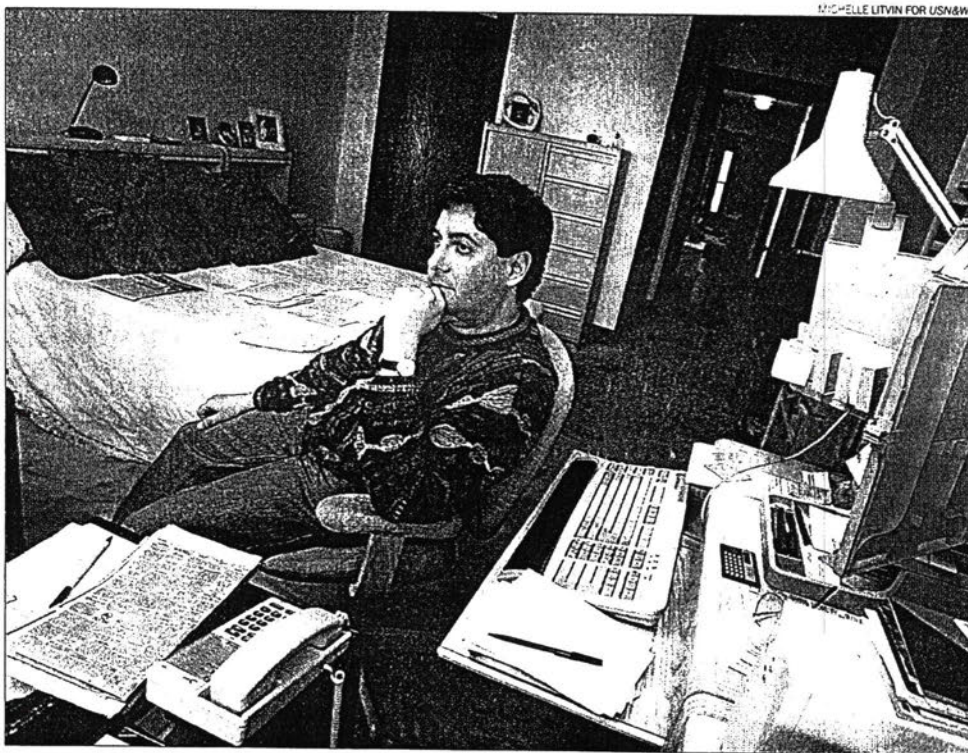
Fierce competition also is forcing radical restructuring in the retail industry. Last year, retailers across the country announced 43,000 layoffs. Bob Ruff received one of those pink slips. The 42-year-old Ruff had spent 16 years working for Kmart subsidiary Huck Fixture Co. in Quincy, Ill., when the maker of Kmart's shelving and checkout counters was shuttered by its financially beleaguered corporate parent. Ruff is now studying heating, ventilation and refrigeration. But he is not likely to return to the \$13.74 an hour he was earning as a unionized carpenter for Kmart. Mimi Young of Los Angeles is facing a steep wage cut as well. Since she was caught in a corporate downsizing at Thrifty Drug Stores, the 68-year-old administrative assistant says that all she has been offered after more than a year of looking is menial jobs at half the salary she earned during her 18-plus years at Thrifty. In a nation where work, job title and position are highly valued—and the question, "What do you do for a living?" is constantly asked—unemployment places a heavy psychological burden on those who cannot find a job. Diminished sense of

self-worth and self-esteem frequently accompany joblessness.

In the 1990s, misfortune has climbed up the ladder from production workers and secretaries to middle managers, who have been caught in the nation's first-ever white-collar recession as corporations move toward flatter organizations. The stress, pain and anxiety has been especially acute for white-collar workers, who tend to be older males with major family and financial responsibilities like mortgages and college-tu-

ition payments. In three years, the average income for college educated men ages 45 to 54 has fallen 10 percent. This helps explain why even those with above-average incomes—but below the richest fifth—haven't recovered from the last recession.

Paul Lundberg knows that the troubles for middle managers did not end with the downturn. In April 1994, his employer of 22 years, Chicago & Northwestern Railroad, was bought out by Union Pacific Corp. The new owner



STRIVING TO BECOME A KNOWLEDGE WORKER. After leaving his retail position, Richard Landman started a job-placement business for people who want positions in the computer industry. Landman struggled for several months before receiving a check.

gave Lundberg the option of trading his senior vice president position in Chicago for a lower-level post in Omaha or joining the unemployment lines. Lundberg has been out of work ever since. After playing a role in bringing his company to profitability, complains the former railroad executive, "you feel like a victim of your own success." Stuart Wegener of Gainesville, Fla., has been forced to make economic sacrifices, too. A senior staffer in nonprofit fund-raising and development, Wegener left his position in Illinois in 1994 to follow his wife in search of career advancement. After 10 months of unemployment, he finally found a position but had to take a 35 percent pay cut.

Scars. Even those who survive downsizings are scarred by the process. Joyce Colbert-Jones, for example, has managed to evade layoffs at AT&T for 14 years. She even requested and received a transfer once—from Florida to Atlanta—because she thought her Florida office might close. "It's really a duck-and-dodge game," explains Colbert-Jones. The network services employee and her husband, also with AT&T, now are exploring second careers so they will be prepared should they lose their jobs in future restructurings.

New era. As corporations use fewer and fewer workers to produce their revenues, labor productivity has finally been revived. Unfortunately, however, the robust wage growth of the 1950s and '60s has not returned as a result. "Economic theory tells us that ultimately workers are

paid their just reward," explains Morgan Stanley's Roach. "In the '90s, that has not been the case." Instead, productivity gains of roughly 2 percent a year in the first half of the decade—which should have led to equally large real income gains—have been accompanied by meager compensation growth of just 0.6 percent so far. Says Lawrence Perlman, chairman and CEO of Ceridian Corp., a \$1.5 billion Minneapolis-based information-services company: "There has been an extraordinary decoupling between productivity growth and compensation

growth." Roach calls this phenomenon "the dark side of the productivity-led recovery." Instead of plowing their massive profits back into wage increases, corporations are building large cash reserves and spending even more on productivity-enhancing equipment such as computers and the latest software.

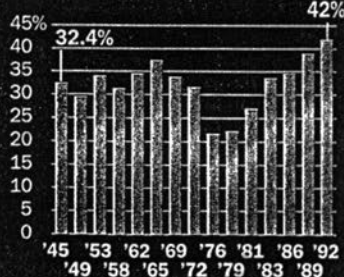
One reason that managers feel little compulsion to pour profits back into people is the waning influence of unions. Organized labor's ability to push for higher wages has been sliding rapidly, and the movement's efforts have shifted toward preserving jobs. At Boeing, union members recently rejected a proposed contract even though their leadership had accepted it, in large part because they were holding out for concessions that might help preserve their jobs. "It wasn't about cash dollars; it was about job security," explains Stephen Price, who manned the picket lines in Wichita, Kan., from 4 a.m. to 7 a.m. for 10 weeks. When Boeing's management came back with a contract including a job-retraining and re-assignment program, the union voted to return to work. With corporate loyalty diminishing



JOB ANXIETY. Stephen Price, a 38-year-old Boeing worker, manned the picket lines in Kansas during a recent strike. "It wasn't about cash dollars," explains Price. "It was about job security." When Boeing offered a contract with job retraining, the strike ended.

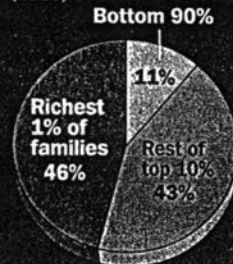
WHERE WEALTH IS CONCENTRATED

Share of wealth held by the top 1 percent of families

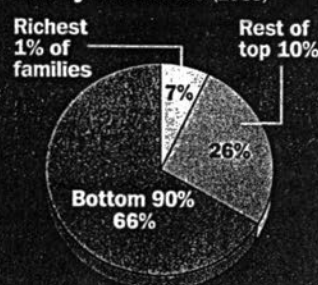


USN&WR—Basic data: Prof. Edward N. Wolff, New York University

Share of stock in public companies held by individuals (1989)



Share of residential real estate (primary dwellings) held by individuals (1989)



USN&WR

BUSINESS & TECHNOLOGY

and job changes increasing, workers like Price have put a premium on gaining the right employment skills for the future — on remaining employable.

It would be overstating the case, however, to say that the corporate sector has single-handedly created an environment in which half the nation is permanently locked into a declining standard of living. Some analysts argue, for example, that government statistics may understate income gains by overstating inflation and that current wealth data have limits. Other experts note that a higher quality of goods has led to an improved standard of living for many workers. Wage improvements, add a handful of economists, also may arrive in the near future if the divergence between productivity and pay is a temporary, rather than a structural, problem. And just because one income group is losing ground does not necessarily mean that any individual in that group cannot move into higher income categories. Nor can all of the rise in inequality be attributed to changes in the realm of business. Demographics, particularly the rise in single-parent families, has played a big role in the growth of poor families. The proportion of children living in mother-only families has grown from 8 percent in 1960 to 22 percent today, and single parents account for half of all families earning less than \$10,000 a year.

Regardless of these issues, the rise in income inequality remains unmistakable. Even within the better-off half of working Americans, the spoils of success are concentrated on a surprisingly small group. Of all the income gains made from 1977 to 1990, 79 percent fell into the pockets of the top 1 percent of families, a group that this year is expected to earn an average of \$438,000. And within that top 1 percent, inequality also is growing because the top tenth of 1 percent appears to be getting the lion's share of the economic rewards.

Although educational differences account for some of the growth in top-level inequality, two thirds of the gap has de-

veloped within groups that have similar qualifications or jobs. The most successful college graduates, for example, are pulling away from more-typical degree-holders. High-powered lawyers are garnering incomes far above those of ordinary attorneys. Among executives, the spread between the earnings of CEOs and their seconds in command has nearly doubled in just a decade. "Corporate America is moving toward a much more capitalistic environment, with less security and less uniformity of compensation," explains Marshall Goldsmith, a consultant to *Fortune* 500 companies. "It's now much more [important to] attract and

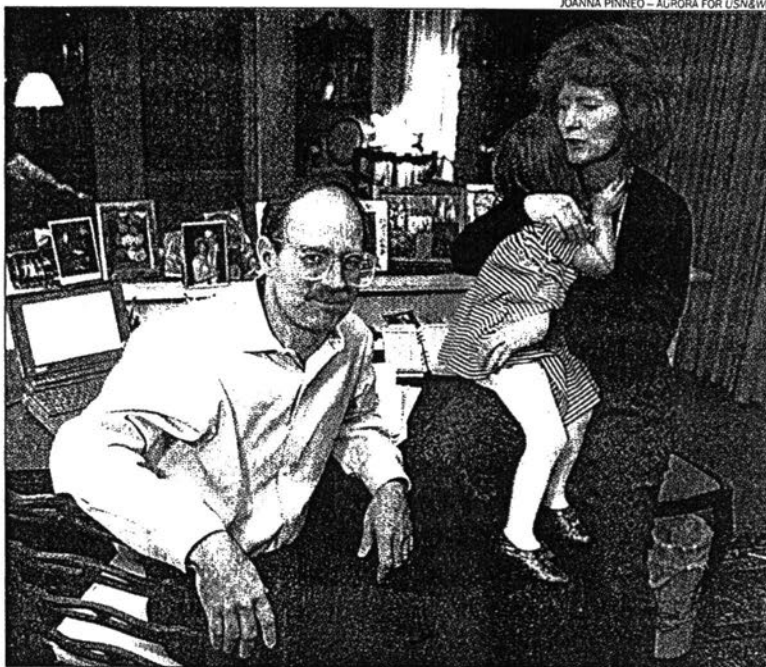
creasing share of those dollars is concentrated on a few tax-software companies. Likewise, corporate dollars that used to be spread among hordes of telephone receptionists are now funneled to the leading national providers of voice mail. In such an environment, the best performers hit the jackpot and the rest will be lucky to break even.

Free agents. Leverage alone, however, would not create superstar salaries if the employees who most influence the success of companies were not paid according to their contribution. To describe this second step, Cook and Frank borrow a term from sports: free agency.

They believe that this phenomenon has developed in many parts of the economy, in executive suites as well as in stadiums. Corporate CEOs, who once worked their way up the ladder, for example, now regularly jump from one company to another. Cook and Frank estimate that the number of CEOs who joined their present firms within the past three years has leapt 50 percent since the mid-1970s. In that time, the ratio between the pay of CEOs and average American workers has risen from 41 to 1 to 225 to 1, according to executive compensation expert Graef Crystal. In Germany, where CEOs are almost always promoted from within the corporation, the ratio is closer to 20 to 1.

The gains of the rich cannot be completely separated from the travails of the middle class and the poor. They are part of the same trend. To some extent, increases at the top are coming at the expense of ordinary workers. Economists are hesitant to treat income as a purely zero-sum game, since it is possible for all to prosper or perish together. But, says Frank, "if you need to pay your top talent premium rates to keep them from going to the competition, it means you've got to keep the margins tight everywhere else." That means millions of American workers will need to keep their belts tight for years to come. ■

BY DON L. BOROUGHS WITH MOSIKA GUTTMAN IN LOS ANGELES, MARIA MALLORY IN ATLANTA, SCOTT MCMURRY IN CHICAGO AND DAVID FISCHER



WAGE LOSS. A senior staffer in nonprofit fund-raising, Stuart Wegener moved from Illinois to Florida in search of advancement. After 10 months, he found a job but took a 35 percent pay cut.

retain the stars. This can and will worsen income and wealth disparity."

Economists have struggled to come up with a comprehensive explanation for this within-group inequality. The latest practitioners who have tried to solve the riddle are Robert Frank of Cornell University and Philip Cook of Duke University, authors of the recently published *The Winner-Take-All Society*. Frank and Cook explain the rise of an income elite in two stages. First, winners in the economy have increased their leverage, attracting more and more dollars by the work they do. Technology accounts for much of this development. The nation's tax-preparation dollars, for example, used to be distributed fairly widely among local accountants; today, an in-

CONTACT PERSON
AND TELEPHONE
NUMBERS:

SIGNAL SUPERVISOR will have telephone numbers in
Tempe, Arizona

NFL Contact: Jim Steeg (602)417-9000/9050 in AZ

White House Contact: Vicki Rivas-Vazquez
Pager No. 4205

1/30/96

THE WHITE HOUSE
WASHINGTON

96 JAN 29 P7:26

January 29, 1996

MEMORANDUM TO THE PRESIDENT

FROM: DON BAERON
MICHAEL WALDMAN MW
TERRY EDMONDS *te.*

SUBJECT: Remarks for Thursday's National Prayer Breakfast

As you know, you are scheduled to address the National Prayer Breakfast on Thursday at the Washington Hilton. As we begin to prepare your draft remarks, we would appreciate your thoughts regarding theme and content. Current plans are for you to deliver a "Prayer for the American Family," building on family values themes in the State of the Union. Please let us know if this is agreeable to you. It would also be helpful if you indicated any scriptural or historical references you might wish to use as the basis for your talk.

Thank you.

Also on community
as extension of family
Our obligation
to each other & our nation.
cf. Galatians 6
Bear One Another's Burdens

THE WHITE HOUSE
WASHINGTON
January 27, 1996

THE PRESIDENT HAS SEEN
1/29/96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Shalala memo on Michigan and California welfare initiatives.** *Michigan --*
"Project Zero" proposal is reasonable and consistent with Administration objectives. No further waiver would be necessary. State would do survey at six pilot sites to identify key barriers to work (e.g., child care, transportation, job counseling, substance abuse) and then aggressively target services to try to overcome the barriers. The idea would build on Michigan's "To Strengthen Families" initiative, which State claims has put 30% of recipients to work. Michigan favors Republican, block-grant bill, but Donna argues it would be better off with Daschle or Coalition bills.

California -- Wilson's severe proposal would devolve responsibility to counties and result in huge savings to State based on big cuts in benefits and services. An early sign of the "race to the bottom." Plan would establish four different groups based on expectations of employment, with differential treatment in terms of time limits, benefits, services. The most employable group would have a 2-year time limit and declining (cash) benefits during the two years; the second, less employable group would have a 5-year time limit with vouchers only (no cash); the third group -- those with disabilities or kids with disabilities -- would get cash and be exempt from time limit; last group would be child-only AFDC cases and get cash benefits with time limits. State could not implement plan under current law or Democratic proposals, but could do so under Republican bill.

Samuels memo re depreciation recapture. In response to your question about the "1250 depreciation recapture" on real estate gains contained in the capital gains option. In essence, the lower cap gains rate would *not* apply to any amount previously depreciated -- such amounts would be taxed under current law at 28%. For example, if a taxpayer bought a building for \$100,000, deducted \$30,000 of depreciation over several years, and sold it for \$150,000, his basis would be \$70,000 and his \$80,000 gain would be taxed as follows: \$30,000 at 28% and \$50,000 (the new, non-recaptured part of the gain) at the new rate of 20%. Note that the recapture still leaves a high-bracket tax-payer ahead since he would have deducted the \$30,000 against a 39.6% tax rate and then had it recaptured at only 28%.



1/29/96

JAN 96 JAN 19 1996 P 8 : 26

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Latest Michigan and California Welfare Initiatives

Two new state welfare reform proposals illustrate both the risks to poor children if block grants are enacted and the high degree of flexibility for reform that already exists under current law. Michigan's proposed Project Zero (publicized in Thursday's New York Times) is reasonable, consistent with the welfare objectives of this Administration, and it appears that it can be implemented with no waivers beyond those the State currently has. In contrast, California's new proposal will have severe effects on families, involves huge budget cuts, and does less to address the real needs of poor families and their children. California's plan cannot be implemented under current law. These two State proposals constitute two more reasons for staying with the current funding structure.

Michigan's Project Zero

There is no Project Zero plan yet, only a concept. (It is separate from the earlier legislation enacted by the State to implement a block grant were it to become federal law.) For Project Zero, the State is doing a survey of AFDC recipients at six pilot sites around the State to assess what are the barriers to work. Then they will aggressively try and target services to overcome those barriers. Pre-survey expectations are that the greatest barriers will be child care, transportation, job counseling, substance abuse and depression, as well as more transitional services for people that are already working. Once the survey results are in, the State will design the details of the program, the aim of which is to have everyone working. The newspaper account also suggested that the State would guarantee child care and transportation.

The project builds upon Michigan's "To Strengthen Michigan Families" Initiative. Under the Initiative, the State has signed social contracts with recipients, implemented a more generous \$200 and 20 percent income disregard and encouraged recipients who are unable to find work to do community service for 20 hours a week. Individuals who refuse to look for or participate in assigned work can be sanctioned.

Under our booming economy, Michigan employment is up (they claim 30 percent of their recipients are working and this is due, in part, to their generous disregard policy) and AFDC caseloads have dropped more than in many other States. The Project Zero concept is reasonable. As States work to put a greater proportion of their AFDC recipients into jobs, they will be forced to work with the more disadvantaged families in the caseload. Families in the middle and lower tiers will have more barriers and service needs.

California (Governor Wilson's 1996 Budget Proposal)

In his 1996 budget proposal, Governor Wilson has proposed to redesign California's welfare system by devolving responsibility for these programs to the counties. The proposed redesign also includes reduction of grant levels and flat grants not adjusted to household size. The California plan would produce enormous savings as a result of cuts in benefits and services, thereby reducing the State's welfare expenditures to 76 percent of its past spending, which is just above the Conference requirement for state maintenance of effort. While California has some of the highest AFDC benefits in the country, Governor Wilson's proposal is an early sign of the race to the bottom that you have predicted.

AFDC recipients would be assigned to one of four groups based on expectations for employment and each group would be subject to a different program structure. AFDC recipients who have some work history or are employable would be eligible for cash benefits for two years, with grant levels reduced after 6 and 12 months of benefits. These persons would immediately begin job search upon entering the program and would receive minimal services.

A second group would comprise AFDC recipients with no work history, including teen mothers. This group of recipients would be ineligible for cash benefits; they would receive vouchers for rent, food, etc. instead. The value of the voucher would be equivalent to the cash benefit amount. These recipients would receive case management services, and be subject to a 5-year time limit. A person can move out of this group and begin receiving cash benefits once she gains employment.

A third group would be recipients with disabilities or who have children with disabilities. These families would receive a cash grant, and would most likely be exempt from a time limit. The fourth group would be child-only AFDC cases. They would receive cash benefits with reduced grant amounts and time limits.

California's new plan is billed as an aggressive effort to help families find work and, appears to address the different levels of job readiness among recipients. It is severe, however, because employable recipients have a 2-year time limit with declining benefit levels during the two years. Few services are provided to this group. Families that have many employment barriers are only eligible for vouchers and are able to receive them for only five years.

Caseworkers are given enormous discretion in the treatment of individuals in terms of grant amounts, duration of time limits and services provided, for example. Considerable inequities would ensue. It is not easy to differentiate those that are employable from those that are less employable. Mothers with considerable employment barriers could be miscategorized and

subject only to a 2-year limit. The effectiveness of using vouchers in place of cash for people that are hard-to-employ has not been carefully tested. It is not clear what needed services including substance abuse treatment and job preparation would be available. The proposal contains far more risks to poor families and children.

Analysis

Michigan does not appear to require any waivers beyond the ones it already has to do Project Zero. The State can do all of its initiative under current law and under the Daschle bill. Unlike the Republican Congressional proposal, Project Zero recognizes that additional services, as well as transitional health care coverage, are needed to help welfare families to work. The plan does not entail inflexible time limits or family caps to narrow eligibility and throw families off of cash assistance. Project Zero has a very different focus from the Republican plan in Congress that Governor Engler praises and it is much closer to the welfare reform proposed by this Administration and the House and Senate Democrats.

Michigan believes that the Republican Conference Bill's block grants will provide financing advantages to them. Federal funding would be held to FY 94 levels and with the flexibility of the block grants, the State believes it could channel the surplus resources to services needed to overcome the employment barriers. However, the Republican conference agreement mandates stringent work requirements far exceeding current participation levels in Michigan. The State will have to spend much of the capped block grant resources not spent on cash benefits to create work slots. Furthermore, if there is a recession, more resources under the capped block grant will have to go to benefits as well as work slots, absorbing any surplus that could have been targeted on services.

Michigan is allocating \$40 million to fund child care services. Under current law, this new State money would be subject to a federal match. The State could spend only half as much and draw down the same amount in federal dollars to come up with the \$40 million.

Michigan is therefore mistaken in believing it would be better off with the block grant. It is better off with current law or under the Daschle bill or the Coalition bill. In order to pursue its risky proposal, California would be better off with the block grant, because it could not implement its proposed plan under current law or the various Democratic proposals.

As noted earlier, the Project Zero concept is different from their implementing language for a block grant. This language also eliminates the entitlement to cash benefits and provides no guarantee of benefits if appropriations are not adequate.

Recommendation:

The Republican leadership might tinker with the Conference bill which you vetoed, but it is very difficult to repair it in a way that avoids great damage. As you have already said clearly, the Democratic alternatives proposed in the two Houses of Congress protect children and families most effectively.

Governor Engler criticized your veto of the Congressional Republican welfare bill during his State of the State address this week. Our response should be that the Michigan Governor's welfare proposals are closer in structure to our proposals than the extreme proposals of the Republican Congress. I hope Congressional Republicans will heed your call to work with your Administration to develop welfare reform that ensures flexibility to states, addresses the needs of poor families, and protects children.

A handwritten signature in black ink, reading "Donna E. Shalala". The signature is fluid and cursive, with the first name "Donna" and last name "Shalala" being more prominent than the middle initial "E".

Donna E. Shalala

1/29/96

✓ (C) **November 1995 Immigration and Naturalization Service Report.** Compared with November 1994: total inspections were down 5%; Border Patrol apprehensions at Southwest border were up 81% (to 85,575) and voluntary returns rose by 84%; applications and petitions for immigration benefits increased 9%; new applications for naturalization benefits increased 78% and those approved were up 61%; total removals increased by 7% (INS removed 4,069 aliens from the U.S. and 2,186 were criminals); successful investigations were up 18%; and applications for asylum were 23% lower.

✓ (D) **Community policing clip from the News-Sun of Waukegan, IL.** Via Rahm. Describes the rapport established between police officers and neighborhood children in a Federally-supported community policing program.

✓ (E) **New Year Greeting from Bill Rainer.** Forwarded by Mack.

We have also received the following items:

✓ *agreed
1/30/96
Sun him*
Sen. Specter letter on International Criminal Tribunal for the former Yugoslavia. He met with the prosecution team in the Hague January 4. He believes the prosecutions are of historic importance, that they could set the stage for a permanent International Criminal Court, and that the U.S. should do everything possible to assist. He has written various Department and Agency heads urging cooperation in a number of specific ways, and forwarded copies to Tony Lake; John Deutch and Louis Freeh have been helpful. He looks forward to discussing this issue with you.

Ickes note on conversation with Diane Blair. She talked with Tom Patterson of Syracuse University following the White House dinner. He feels strongly that the "human face" of Bosnia -- kids, women, refugees, etc. -- needs to be shown more and military operations like building bridges, etc., shown less.

✓ **McCurry memo on Pennsylvania disaster relief radio actuality.** There was a great deal of interest in the actuality announcing federal aid to all 67 Pennsylvania counties and public aid to 14 counties. It was fed to the Pennsylvania Radio Network, with 68 affiliates, plus 84 other stations around the state.

Copy to Ickes

96 JAN 24 11:15
18 January 1996

MEMORANDUM TO THE PRESIDENT

CC: Leon Panetta

From: Harold Ickes 

Re: Tom Patterson

On 15 January I spoke with Diane Blair (501-575-3356) who said that she had talked to Tom Patterson (of Syracuse University) since the dinner at the White House with the President a week or so ago. He feels very strongly that the "human face" of Bosnia -- kids, women, refugees, etc., needs to be shown more with less of the military operations of building bridges, etc., being shown. She asked me to pass this on to you.

1/29/96

✓ (C) **November 1995 Immigration and Naturalization Service Report.** Compared with November 1994: total inspections were down 5%; Border Patrol apprehensions at Southwest border were up 81% (to 85,575) and voluntary returns rose by 84%; applications and petitions for immigration benefits increased 9%; new applications for naturalization benefits increased 78% and those approved were up 61%; total removals increased by 7% (INS removed 4,069 aliens from the U.S. and 2,186 were criminals); successful investigations were up 18%; and applications for asylum were 23% lower.

✓ (D) **Community policing clip from the News-Sun of Waukegan, IL.** Via Rahm. Describes the rapport established between police officers and neighborhood children in a Federally-supported community policing program.

✓ (E) **New Year Greeting from Bill Rainer.** Forwarded by Mack.

We have also received the following items:

✓ *aggr
1 summary
for him* **Sen. Specter letter on International Criminal Tribunal for the former Yugoslavia.** He met with the prosecution team in the Hague January 4. He believes the prosecutions are of historic importance, that they could set the stage for a permanent International Criminal Court, and that the U.S. should do everything possible to assist. He has written various Department and Agency heads urging cooperation in a number of specific ways, and forwarded copies to Tony Lake; John Deutch and Louis Freeh have been helpful. He looks forward to discussing this issue with you.

aggr **Ickes note on conversation with Diane Blair.** She talked with Tom Patterson of Syracuse University following the White House dinner. He feels strongly that the "human face" of Bosnia -- kids, women, refugees, etc. -- needs to be shown more and military operations like building bridges, etc., shown less.

✓ **McCurry memo on Pennsylvania disaster relief radio actuality.** There was a great deal of interest in the actuality announcing federal aid to all 67 Pennsylvania counties and public aid to 14 counties. It was fed to the Pennsylvania Radio Network, with 68 affiliates, plus 84 other stations around the state.

*Copies to: Brophy
Scheduling*

THE WHITE HOUSE
WASHINGTON

January 25, 1996

Congressional
Correspondence
Ltr from Arlen
Specter

96 JAN 25 P 4: 09

MEMORANDUM FOR THE PRESIDENT

FROM: SUSAN BROPHY *SB*
SUBJECT: CONGRESSIONAL CORRESPONDENCE

Attached is a letter from Sen. Arlen Specter (R-PA), that I thought you might like to see.

Enclosure

ARLEN SPECTER, PENNSYLVANIA, CHAIRMAN
J. ROBERT KERREY, NEBRASKA, VICE CHAIRMAN

RICHARD G. LUGAR, INDIANA
RICHARD C. SHELBY, ALABAMA
MIKE DEWINE, OHIO
JON KYL, ARIZONA
JAMES M. INHOFE, OKLAHOMA
KAY BAILEY HUTCHISON, TEXAS
CONNIE MACK, FLORIDA
WILLIAM S. COHEN, MAINE

JOHN GLENN, OHIO
RICHARD H. BRYAN, NEVADA
BOB GRAHAM, FLORIDA
JOHN F. KERRY, MASSACHUSETTS
MAX BAUCUS, MONTANA
J. BENNETT JOHNSTON, LOUISIANA
CHARLES S. ROBB, VIRGINIA

United States Senate

SELECT COMMITTEE ON INTELLIGENCE

WASHINGTON, DC 20510-6475

ROBERT DOLE, KANSAS, EX OFFICIO
THOMAS A. DASCHLE, SOUTH DAKOTA, EX OFFICIO

CHARLES BATTAGLIA, STAFF DIRECTOR
CHRISTOPHER C. STRAUB, MINORITY STAFF DIRECTOR
KATHLEEN P. MCGHEE, CHIEF CLERK

January 18, 1996

96 JAN 25 P3: 55

The President
The White House
Washington, DC 20500

Dear Mr. President:

When you called me on November 25, 1995 seeking support for your Bosnian policy, we had an opportunity to talk briefly about the International Criminal Tribunal for the former Yugoslavia.

On January 4, I had an opportunity to meet with the prosecution team in The Hague and was enormously impressed with what they are doing.

In my view, these prosecutions are of historic importance. I strongly believe that the United States government should do everything in its power to assist in the prosecutions. Toward that end, I have written the various Department and Agency heads urging cooperation in a number of specific ways. I believe that support by the American people and by the Congress could be enhanced by successful prosecutions by the War Crimes Tribunal.

I am sending to your National Security Council head, Tony Lake, a copy of this letter and copies of my letters to the respective Department and Agency heads.

I look forward to an opportunity to discuss this issue with you further at your earliest convenience.

My best.

Sincerely,



Arlen Specter

AS/ml

*Letter Dostal + Louis Freed are helping.
This could set the stage for a permanent
International Criminal Court.*

FAX

Laura

you +/a Trust. need to
do a memo on our
proposed ~~extra~~ ^{extra} response
to their and I need a
draft reply -

Then folks have been
for us ~~the~~ ^{the} since '93 -
I need to clearly under-
stand our position in area
There - Thanks, BK

1/30/96

OFFICERS

Chairman
JAMES J. DIDION
CB Commercial Real Estate Group

President
STEVEN A. WECHSLER

Chairman-Elect
EDWIN N. SIDMAN
Beacon Properties Corporation

Senior Vice Chairmen
GARY H. HUNT
The Irvine Company

JOHN A. SOMERS
Teachers Insurance &
Annuity Association

*Chairman-Policy Coordinating
Committee*
RANDALL K. ROWE
Equity Venture Partners, Inc.

Vice Chairman-Treasurer
ROBERT J. LOWE
Lowe Enterprises, Inc.

Vice Chairman-Secretary
WILLIAM C. RUDIN
Rudin Management Company, Inc.

Vice Chairmen
JAMES M. ALLWIN
Morgan Stanley Realty, Inc.

BARRINGTON H. BRANCH
DIHC Management Corporation

JOSEPH A. DELUCA
Chemical Bank

HENRY J. FAISON
Faison Associates

DANIEL M. GALBREATH
The Galbreath Company

JOHN T. GLOVER
Post Properties, Inc.

DAVID S. GOLDEN
CGR Advisors

BRUCE L. LUDWIG
TCW Realty Advisors

FRANK B. MACDOUGAL
Prudential Realty Group

ROBERT A. MCCORMACK
Citibank, N.A.

STUART C. NATHAN
JMB Realty Corporation

FRED N. PRATT, JR.
The Boston Financial Group

*Senior Vice President &
General Counsel*
JEFFREY D. DEBOER

Vice Presidents
STEVEN E. PUMPER
CARY A. BRAZEMAN

Former Chairmen
TRAMMELL CROW
Trammell Crow Company

BENJAMIN V. LAMBERT
Eastdil Realty, Inc.

ROBERT C. LARSON
Taubman Realty Group

ALTON G. MARSHALL
Alton G. Marshall & Associates

A. ALFRED TAUBMAN
The Taubman Company

J. McDONALD WILLIAMS
Trammell Crow Company

EXECUTIVE COMMITTEE

WILLIAM A. ALTER
ROBERT L. ANDERSON
JIMSON C. BALL
ROBERT L. BEAL
RICHARD J. BOYLE
MICHAEL R. BUCHANAN
JOHN S. BUCKSBAUM
CHRISTOPHER D. BUDGEN
RICHARD C. CARLSON

MICHAEL D. COCHRAN
LAWRENCE A. COHEN
ROBERT J. CONGEL
MILTON COOPER
WILLIAM R. COOPER
ARTHUR M. COPPOLA
FRANK G. CREMER, JR.
DANIEL A. DECKER
ERIC ECHLER

MICHAEL D. FASCITELLI
KEVIN P. FITZPATRICK
MICHAEL D. FRAIZER
BRUCE FRANK
CHARLES R. GARDNER
LAURENCE GERBER
JOHN L. GRAY
MICHAEL J. GREGOIRE
DAVID S. GRUBER

ANDREW D. GUMBERG
ARTHUR J. HALLERAN, JR.
E. DAVINSON HARDMAN, JR.
STUART ISEN
RICHARD E. JACOBS
FRANK J. KAWALROWSKI
JOHN W. KESSLER
GARY L. LENZ
DANIEL A. LUPIANI

ROBERT H. LUTZ, JR.
WILLIAM J. MALONEY
ROY HILTON MARCH
J. KELL MARTIN
TOM MEADOR
WALTER E. MERCER
RAYMOND C. MURLICH
MICHAEL P. MORRISON
JAMES D. NOTEWARE

HARRY J. OKOSKIN
ETHAN PENNER
A. MACK FOGUE
THOMAS S. QUINN
CHARLES A. RATNER
MICHAEL W. RESCHKE
PHILIP A. RHOJAN
NELSON C. RISING
JOSEPH E. ROBERT, JR.

ADAM R. ROSE
JACK RYAN
LEE SALTZMAN
RICHARD B. SALTZMAN
STEVEN A. SANDBERG
HARVEY SCHULWEIS
VERNON B. SCHWARTZ
ORNA L. SHULMAN
ELLEN V. SIGAL

RICK H. SINGER
FRANK J. SULLIVAN
DOUGLAS A. TEBBETTS

January 10, 1996

96 JAN 24 P12:13

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Clinton:

National Realty Committee has been supportive of a variety of policy initiatives undertaken through your leadership to help revitalize the nation's commercial and multifamily real estate markets -- markets which in the early 1990s had become seriously dysfunctional. You and your Administration have steadfastly understood that our national economy cannot achieve long-term, job-creating growth without policies in place to ensure stabilized, healthy real estate asset values.

We appreciate these past Administration efforts, in particular a series of much-needed tax initiatives adopted in the 1993 tax bill, as well as an enlightened approach to addressing a variety of environmental issues. Today, however, we must alert you to a very real threat to our nation's still fragile real estate markets that recently surfaced in the context of the budget negotiations relating to Congressional efforts to reduce the current capital gains tax.

Specifically, we are highly concerned with reports that at White House meetings with Congressional leaders last week a senior Treasury Department representative proposed that real estate's long-standing depreciation recapture rules be repealed or revised in conjunction with a capital gains tax cut. Depending on the approach, revising the depreciation recapture rules (part of tax law since the Kennedy Administration) could either: 1) result in a 40 percent tax increase on virtually all transactions involving improved real estate; or 2) at a minimum have the effect of preventing real estate from receiving the benefits that a capital gains tax cut is touted as providing (such as unlocking assets and/or increasing capital formation). Either such result — that is, a tax increase or an illusory tax cut with little or no beneficial effect — would be highly deleterious to a nationwide real estate market that you and your Administration have done so much to help crawl out of the severe crash in asset values that began in the late 1980s.

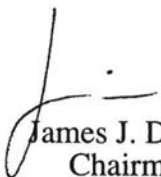
Those in favor of revising the current real estate depreciation recapture law argue that an owner of commercial or multifamily real estate claims a depreciation deduction which has the effect of reducing ordinary income tax liability. The depreciation deduction also reduces tax basis, thus increasing taxable gain on sale. Thus, the argument mistakenly concludes, by taxing upon sale the difference between adjusted basis and cost as capital gain, the owner has unjustifiably converted ordinary income into capital gain. Our response — and the reason Section 1250 has been appropriate national capital gains tax policy for more than 30 years — is that the current law properly recaptures and taxes as ordinary income any depreciation deduction that is *faster* than

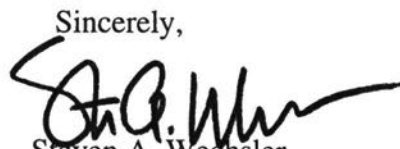
true economic depreciation. Since present law real property depreciation lives (non-residential: 39 years, straight-line; residential, 27.5 years, straight-line) are not faster than economic depreciation, there is no tax benefit to recapture on sale. The mere fact that a property may sell for more than the depreciation-adjusted basis is not an indication of a lack of economic deterioration of the building shell or its components, but is instead a reflection of other occurrences in the market, such as inflation, demand, location, or appreciation associated with the embedded (nondepreciable) land value.

In addition to having no supportable policy justification, we must point out that amending or repealing the current depreciation recapture rules for real estate would have severe economic costs. For example, for an individual in the top tax bracket, any property sold at or below its original purchase price would face a tax increase of nearly 40 percent! Given the significant decline in real estate asset values since 1990, such a tax increase would apply to a very large number of sales of commercial property, residential apartments and low-income housing, and would be particularly troublesome in depressed real estate regions like New England and California. To provide such a significant economic shock to an important sector of the economy that is only now beginning to recover from a multi-year "depression" should be unthinkable.

We believe that a fair capital gains tax cut, that neither discriminates against real estate nor against old investments in favor of new investments, could unlock embedded real estate capital, leading to more constructive and efficient economic activity in the real estate marketplace. Through the redeployment of existing capital, real estate assets would more likely be recapitalized and reengineered for a very dynamic and fast-changing marketplace in which the obsolescence factor associated with structures is increasing. Changing the current depreciation recapture law for improved real property, however, could undermine any of these potential benefits by both substantially increasing taxes on real estate sales, and seriously disadvantaging improved real estate relative to other investments. Either result would clearly set back the improving but still troubled real estate industry and retard potential economic growth.

For these reasons, we respectfully urge you to reject any revisions to real estate's depreciation recapture rules. Thank you for your time and attention to these matters of vital national interest to the real estate and overall economy.


James J. Didion
Chairman

Sincerely,

Steven A. Wechsler
President


Edwin N. Sidman
Chairman-Elect

Marcia Hale

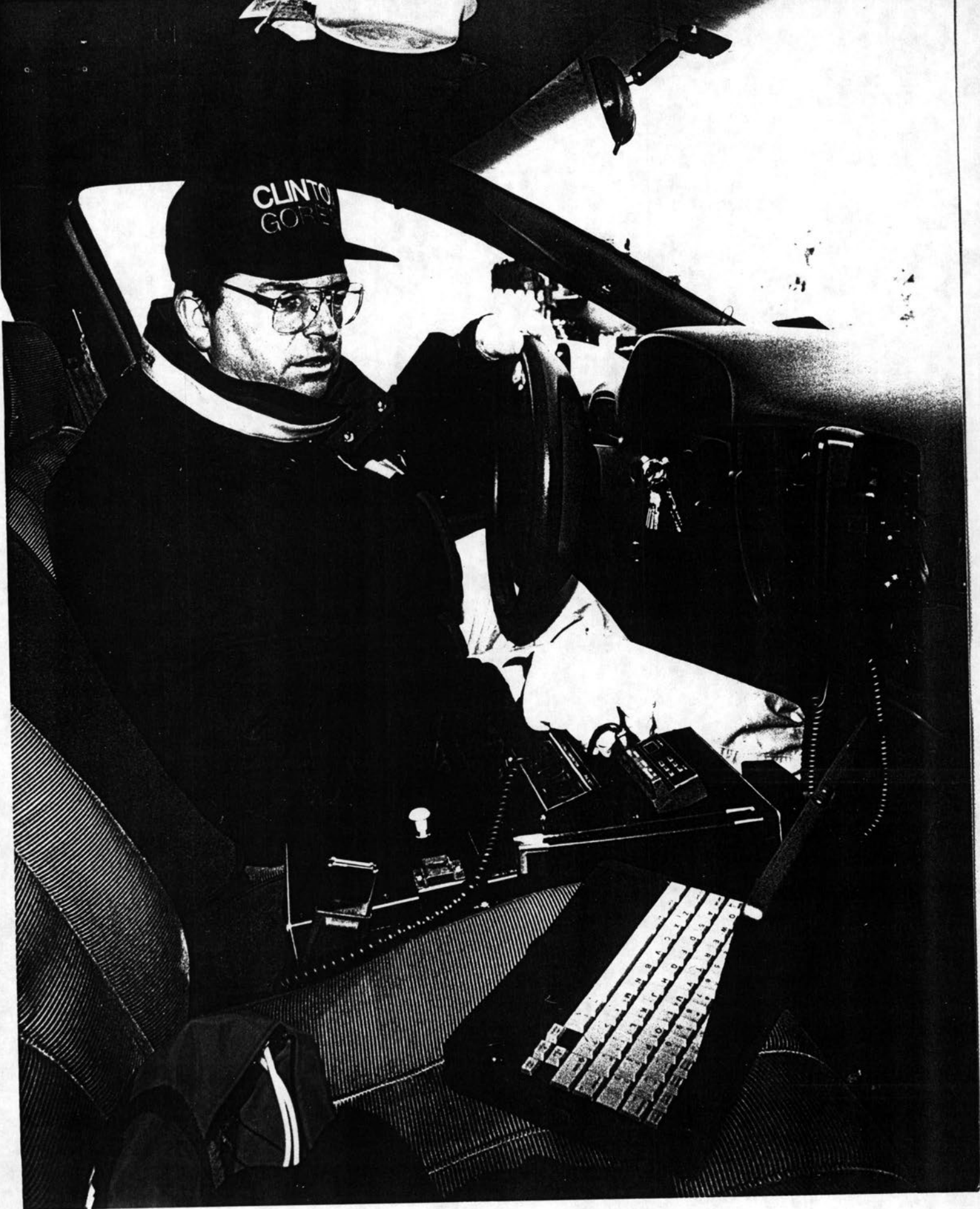
↳ Willis - Barnes

BC

THE PRESIDENT HAS SEEN

1/29/96

original of photos
given to Marcia Hale



















THE WHITE H
WASHINGTON

①
Send her
copy of
memo

1-29-96
Mamie
Lewis
② Send
letter to
Send her
brother too

January 25, 1996

Marge Mitchell
115 Woodstock Drive
Hot Springs, Arkansas 71913

Dear Marge:

Thanks for your card and for sharing the news about Al Roberson. I hope his family is doing alright. Hillary and I are keeping them in our thoughts and prayers.

Thanks, too, for passing along the word from home. I do think we are on the right track, but we clearly need to continue our efforts to make the American dream a reality for all those who are willing to work for it.

I miss seeing you but hope we can visit before too long.

Sincerely,

Bill Clinton



WHITE HOUSE
WASHINGTON

January 25, 1996

Leonora and Weir Roberson
907 Spring Street
Hot Springs, Arkansas 71901

Dear Leonora and Weir:

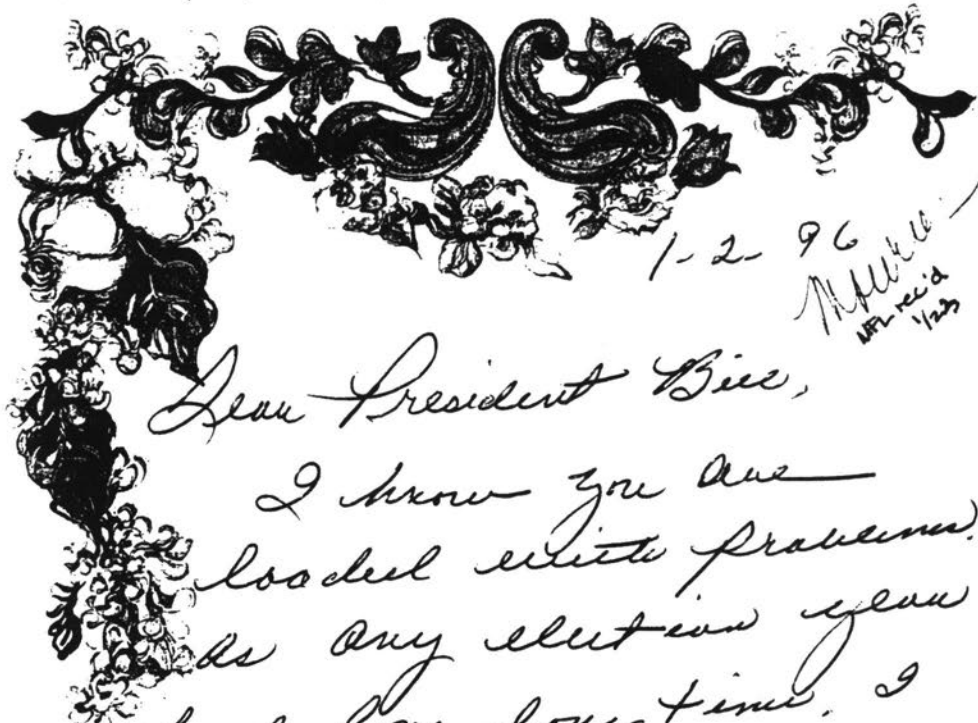
I was so sorry to hear about Al's tragic death and wanted you to know I'm thinking of you, Gene, and your entire family.

While I know this must be an extremely difficult time for you, Hillary and I hope the love and support of your family and friends will bring you comfort and strength in the days ahead.

Our thoughts and prayers are with you.

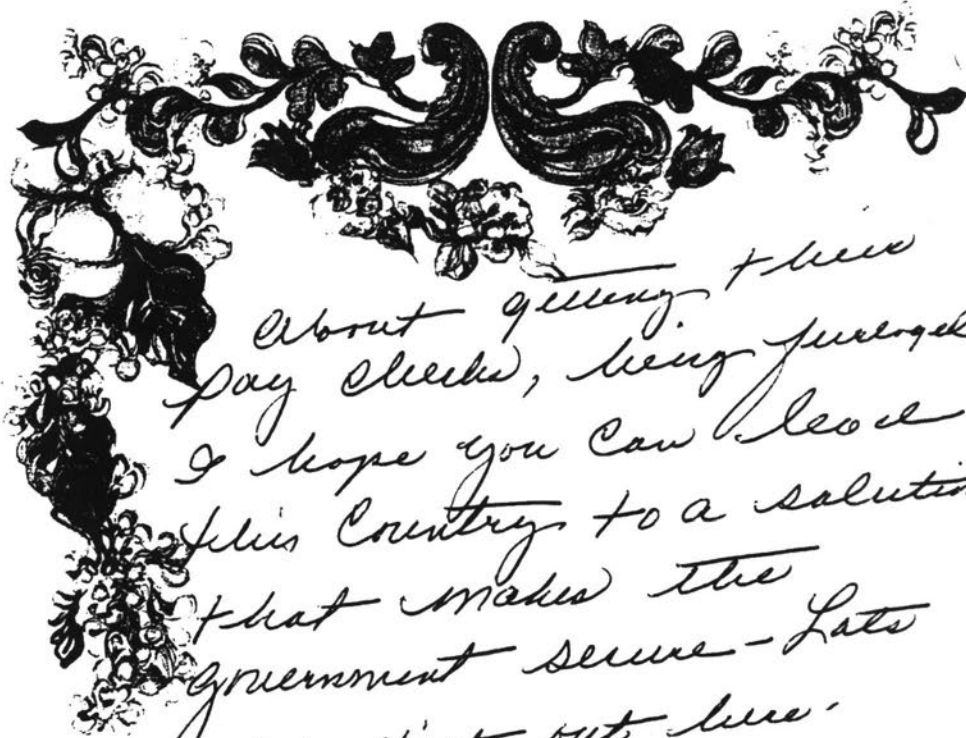
Sincerely,

Bill Clinton



Dear President Bice,

I know you are
loaded with problems.
As any election year
for a long, long time, I
listen to the public
opinions expressed in coffee
shops, streets and phone
calls. I have never seen
the general public so
upset - they are warning



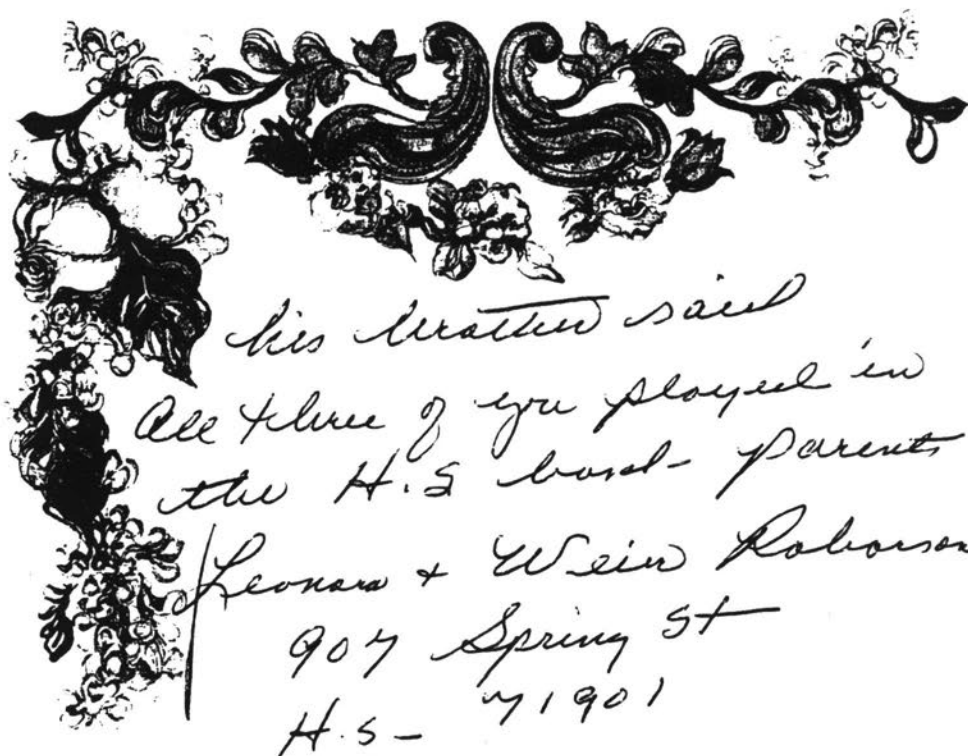
About getting these
pay checks, being forged
I hope you can lead
this Country to a solution
that makes the
government serve - Lots
of fat exists out here.
Middle Management is a
big issue in any office, too
many bosses, shortage of
people really working.
Regional HCFR offices are
a waste - I know after
(over)

21 years - Health Care and
Finance can be managed
out of Baltimore. This time
the worker is being
effected and these people
Vote.

Come to a solution quickly
when you get in of your
packet they don't forget.

The Kopacz want an
Autographed picture and all
I have want Christmas Cards.

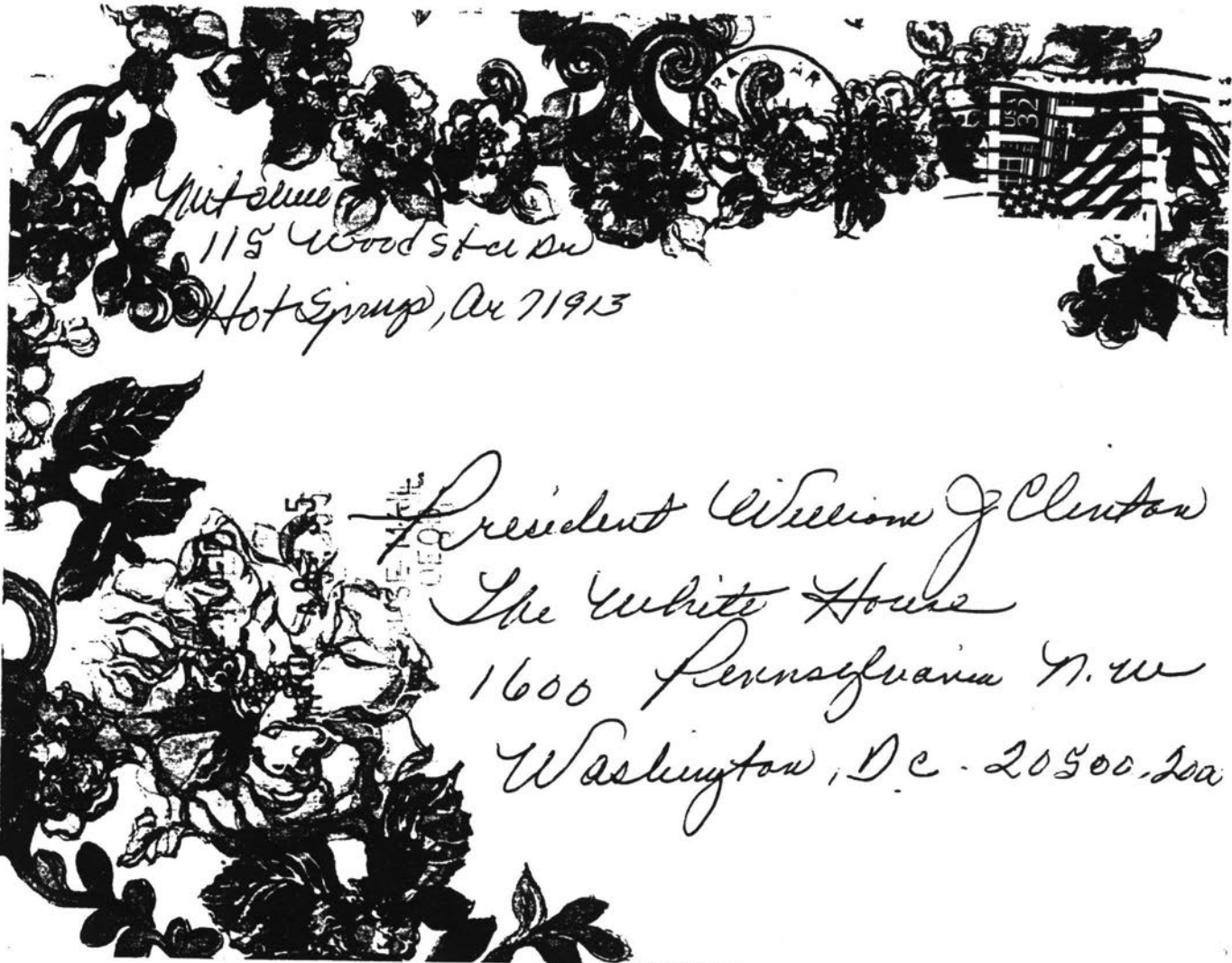
Al Robinson was shot
and killed Saturday - Gene



his mother said
All three of you played in
the H.S. band - parents
Leonard + Wein Robinson
907 Spring St
H.S. - 71901

Robinson Concerts on
Spring St.

I pray for you and
know you will solve this
budget battle Love you
Marge



Mitchell
115 Woodstark Dr
Hot Springs, Ar 71913

President William J. Clinton
The White House
1600 Pennsylvania N.W.
Washington, D.C. 20500-2000

1/29
original ltr
sent to Jocelyn
Billey

THE PRESIDENT HAS SEEN

1/29/96

Met 2 guys
an attorney for the
Sweet - & similar
I need a secretary
different letter

THE WHITE HOUSE

WASHINGTON

Dear John:

Your decision to retire from the House of Representatives at the end of this Congress must have been difficult, and I want to take a moment to tell you how much I will miss the invaluable support and encouragement you have given me. Thank you for your many years of outstanding service to the state of Texas and the nation.

Hillary and I wish you all the best in your future endeavors.

Sincerely,

The Honorable John Bryant
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE
WASHINGTON

Dear Bob:

Your decision to retire from the House of Representatives at the end of this Congress must have been difficult, and I want to take a moment to tell you how much I will miss the invaluable support and encouragement you have given me. Thank you for your many years of outstanding service to the state of New Jersey and the nation.

Hillary and I wish you all the best in your future endeavors.

Sincerely,

Bill Clinton

The Honorable Robert G. Torricelli
House of Representatives
Washington, D.C. 20515

01/29/96

Wilma or Mary,

This is the best copy available. The copy sent down from the POTUS also had the black mark along the right edge.

Sharon
Staff Secy. Ofc.

nce. It could invite all those who can claim a substantial body of support, including the armed forces. The aim would be to work out a new constitutional dispensation between Nigeria's many peoples and to divide up the oil revenue. Such a plan might well fail, even if an inducement such as

debt relief were on offer. Yet the difficulties should not be used as an excuse to do nothing. If events continue on their present course, much worse is to come. Today's Virgil might well fear not the foaming Tiber but the Niger. The world should not then look back at Ken Saro-Wiwa and say, "He died for nothing."

Why Asia still needs America

THE PRESIDENT HAS SEEN
1/29/96



But America needs more help from Japan

A SUMMIT between the president of the world's most powerful country and the prime minister of its richest ally ought to have been a world-shaping event. America's Bill Clinton and Japan's Tomiichi Murayama were supposed to meet in Tokyo next week hot-foot from the Osaka summit of Asia-Pacific leaders. Heading a feeble, faction-ridden coalition, Mr Murayama no doubt sympathises with Mr Clinton's decision to stay at home to deal with budget capers in Washington. All the same, Japan will be irritated: the twin summits were meant to enhance its profile in Asia, and a joint declaration on security was supposed to be signed. Meanwhile, an ugly incident—the rape of a Japanese girl by American soldiers—has shaken the security alliance between America and Japan. That in turn threatens the stability of the wider Pacific region.

In both America and Japan, public opinion is turning against the treaty that still keeps some 47,000 American troops in Japan (out of about 100,000 in the region). Some Japanese officials privately question why Japan should pay 70% of the cost of keeping these Americans on its soil. Might not the money be better spent helping Japan to defend itself? Yes, agree some Americans. Japan is rich enough to look after itself; the only way to get it to do so is to bring America's troops home.

Such voices are still in a minority. Yet the wobble in the American-Japanese alliance is adding to jitters in East Asia. There, as in Europe, the early post-cold-war euphoria has worn off. After a decade or more of boisterous economic growth and unprecedented stability, new worries loom.

Chief among them is China. Already a regional power to be reckoned with, will China throw its weight behind attempts to build a sturdier set of security structures to underpin the prosperity of the region? Or will it choose to remain a truculent, sometimes threatening, outsider? Its reef-grab in the South China Sea earlier this year and its efforts to intimidate Taiwan by blatant missile diplomacy came as a rude wake-up call in a region where many had been lulled into a false sense that economic growth could cure all ills. Meanwhile, the old Soviet threat may have shrivelled, but Russia is looking increasingly unstable and unpredictable. The two Koreas may eventually come together, as Germany did, in peace. But for now the betting around the region's foreign and defence ministries is on a more explosive chain of events.

What can 47,000 American troops in Japan do about all this? Clearly, Japan itself does not face the sort of military threat, even from a more assertive China, that it once did from an aggressive Soviet Union. Korea is different. If events turned nasty on the Korean peninsula, America would find it harder to reinforce its troops in South Korea without the soldiers, equipment and bases in Japan. Still, some would say that the

problems of Korea and China nowadays affect Japan more directly than America, so it should be Japan's troops rather than America's who should stand in harm's way.

Japan could—and should—do a lot more in its own defence. Yet despite that, and even if Korea were already unified and at peace, there would still be an argument for keeping American soldiers in Japan. If anything, in the foreseeable future that argument is likely to get stronger. That is because, with the end of the cold war, East Asia is struggling to accommodate the rivalries of four big powers—America, China, Japan and Russia—with a united Korea someday making a bigish fifth. Moreover, the inevitable elbow-bashing is largely unconstrained by the sorts of multilateral alliances, treaties and security talking-shops that underpin security in Europe.

By promising to defend Japan and by extending its nuclear umbrella, America not only deterred the Soviet Union, but also prevented the natural competition for influence in East Asia from turning into a destabilising regional arms race. Japan felt secure enough to get on with building democracy and prosperity, and its neighbours, large and small, were reassured that it would not be tempted to strike out alone. Yet, half a century after the end of the second world war, suspicions of Japan linger, fuelled often, as in the recent row with South Korea, by clumsy talk from Japanese politicians. Strip away America's stabilising presence and suspicion could swiftly turn to paranoia. And since Japan's natural rival in the region is now China, a nuclear power, a Japan left to fend for itself would be strongly tempted to go nuclear too.

Partnership, not occupation

For all these reasons and more, America still has a big stake in its alliance with Japan. Yet the critics are right about one thing: if the alliance is to survive, it needs to change. America can no longer be expected to do all of East Asia's military work alone. When it looked to Japan for even minimal support during the recent nuclear crisis in North Korea, Japan waved its "peace" constitution and backed away. Yet, like Germany's, Japan's constitutional ban on military action abroad in support of close allies is only as strong as its politicians choose to make it.

Those politicians need to consider that, if Japan is ever to be accepted as a normal country, with a serious claim to leadership in East Asia, it needs to show its neighbours that, in the interests of security in the region, it can do real soldiering for democratic ends. What better way than finding new military ways to co-operate with America: something Mr Clinton and Mr Murayama could usefully talk about when they finally do have a summit, if they have the vision—and the time.

THE ECONOMIST NOVEMBER 18TH 1995

THE PRESIDENT HAS SEEN

Tha

1/29/96

pretty good piece

Bos

THE PRESIDENT HAS SEEN

1/29/96

THE WHITE HOUSE

WASHINGTON

January 27, 1996

Harold Ickes

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN

SUBJECT: Recent Political Information Items

We are forwarding the following recent political information items:

(A) Ickes memo on Delaware primary. Delaware, contrary to DNC rules, plans to hold its primary four days after New Hampshire. Though you have stated you will not participate, the Delaware Democratic State Chair has placed your name on the primary ballot. Under the new Delaware statute, your name can't be removed from the ballot as long as you are a candidate in other states. Since there will be no other bona fide Democrat on the ballot, you would receive all of the Delaware delegates in the post-primary caucus (subject to the 25% penalty imposed by the DNC), even if you don't participate. Harold recommends that you continue to disavow the Delaware primary, not campaigning or participating.

(B) Clinton/Gore mail sample. "Ten More for Clinton/Gore" mailed December 27 to 15,000 C/G '96 members who indicated they would like to be "team captains" for this project. Recipients are asked by you to recruit 10 supporters for C/G '96 and solicit small, voluntary donations. The package is only expected to raise a small amount of money and is intended more to energize local activists -- total cost was \$45,000.

(C) Ickes note to Sen. Leahy. Harold thanked Sen. Leahy for sending him a copy of the 1995 Vermont Opinion Poll. Statewide poll conducted December 4-7, 1995 by University of Vermont showed your favorable/unfavorable at 55%/34% and Dole at 33%/50%. The Speaker had a 76% unfavorable rating.

1/26/96

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503Kathleen A. McGinty
Chair

96 JAN 26 P 9:04

January 26, 1996

MEMORANDUM TO THE PRESIDENT

FROM: KATHLEEN A. MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

Handwritten note:
Thank you
doing much
a good job on as
a good writer
PBY

ENVIRONMENTAL BUDGETS AND THE CONTINUING RESOLUTION

The Chief of Staff and OMB did a masterful job of negotiating on behalf of environmental priorities in the Continuing Resolution (C.R.) just passed by Congress. Once again Republicans were forced to retreat from extremist positions, such as their threat to pass punitive cuts in the funding for the Department of the Interior (DOI) in an attempt to force us to accept their special interest riders.

In the end, the budget for DOI was at the conference level of funding for almost every part of its budget and none of the special interest riders were included. If the terms of the C.R. are extended through the end of the year for DOI, this might be considered a victory for the environment.

However, the result for the Environmental Protection Agency (EPA) under the terms of the C.R. through the end of the year would be quite different since the level of funding in the conference report is so far below the Administration's request for FY 1996. Therefore, the Administration needs to consider how we could get an addback for EPA as part of the next set of negotiations over the budget or another C.R.

TIMBER CASES

Last week, Ninth Circuit Court Judge Michael Hogan ruled against us concerning our determination that marbled murrelets occupied timber sale units accounting for about 245 million board feet of timber in Oregon and Washington, and that therefore we could withhold them under the provisions of the timber rider. This is perhaps the most important of all of the many cases for us coming out of the timber rider. According to our biologists, the area covered by these sales comprises 14% of the known habitat for these birds in the continental United States.

We filed a motion to stay the effect of his ruling until our appeal is heard by the Ninth Circuit. To our surprise (he has ruled against us for similar motions), he granted us a 60 day stay. We'll be filing the appeal soon.

INTERIOR APPROPRIATIONS BILL

X { Senator Slade Gorton (R-WA) and Representative Ralph Regula (R-OH) issued a press release criticizing the Administration for not agreeing to a so-called "final compromise" package of policy riders on this bill. They allege that we move further left with every round. In fact, as we are the process of documenting in a letter, we identified our objections to these riders at the beginning and have continued to explain our problems with them throughout the process. Meanwhile, we are working on identifying and resolving any genuine concerns related to the riders that can be fixed through administrative action.

ENDANGERED SPECIES ACT

At the end of 1995, the U.S. Fish and Wildlife Service (USFWS) issued a report to Congress showing that the Endangered Species Act has prevented the extinction of over 99 percent of animals and plants that have been listed under the Act. The report shows that the ultimate goal - species recovery - is possible, but takes time. Species listed the longest are showing the greatest signs of recovery: 58% of the species listed from 1986-1993 are considered stable or increasing, compared with 22% of those listed from 1989-93. When asked about the cost of the program during a press conference, USFWS Director Mollie Beattie noted that the FY 1995 recovery budget of \$39.7 million is about the same as the cost of building 1 mile of urban highway.

METHYL BROMIDE

X { The House Commerce Subcommittee on Health and the Environment held a hearing this week that focused on possible changes to the Clean Air Act to allow for continued use of methyl bromide beyond 2001. Methyl bromide is being phased out because it is a significant contributor to ozone depletion. It is used as a pre-plant fumigant for a wide variety of fruits and vegetables particularly in Florida and California. The most recent international agreement calls for a phase-out of this chemical in 2010, nine years after the phase-out in this country. EPA, USDA and the State Department testified in support of modifying the Act to allow for greater U.S. flexibility. Several environmental groups criticized our position and this issue is likely to continue to be one in which we get heat from both sides. We are continuing discussions both within the Administration and with key representatives in Congress to identify a reasonable path forward.

ENVIRONMENTAL EVENT

Next week a group of evangelical leaders representing more than 1,000 churches will announce a million-dollar campaign urging strong protection of endangered species. Dr. Calvin DeWitt, Co-founder of the Evangelical Environmental Network and President of its Christian Environmental Council, will hold a press conference here in D.C. with a full-

grown endangered Florida panther to kick-off this campaign. Dr. DeWitt will appear on the Fox morning news, meet with Interior Secretary Bruce Babbitt and Speaker Newt Gingrich during his visit for the National Prayer Breakfast.

The Evangelical pastors are creating a new national network of "Noah" congregations to spread the word about the importance of environmental protection; calling the Endangered Species Act the "Noah's Ark of our day."

The religious leaders have planned to have the Florida panther on the Fox morning news and have offered to bring the panther to the White House. They will not take the panther to the meeting with Speaker Gingrich. We have submitted a request to the scheduling office for you to have a brief meeting and/or photo op with Dr. DeWitt, several pastors and the panther. I would urge you to consider this. This is a key constituency for you to be identified with, and here, on the environment -- an issue that has proven to be so powerful for us and so disastrous for the Republicans.

TIMBER

In last week's report, I noted that my speech to the timber industry at Oregon State University was well received. I attach it here for your information.

- **Oral Argument In U.S. v. Colorado Supreme Court:** On January 26, 1996, arguments were heard in *United States v. Colorado Supreme Court, et al.*, a supremacy clause challenge to Colorado's Rules of Professional Conduct. The U.S. brought suit against the Colorado Supreme Court and its Disciplinary Counsel, seeking to declare invalid and enjoin the operation of two provisions of the Colorado Rules of Professional Conduct. The provisions at issue require attorneys to disclose exculpatory evidence in grand jury proceedings and to seek and obtain judicial approval before issuing a grand jury or trial subpoena to a lawyer. The government alleges that these requirements are invalid under the Supremacy Clause as applied to federal prosecutors. The district court dismissed the complaint for lack of Article III standing.

INS Ends 1995 With New Records in Alien Removals: During calendar year 1995, INS deported more than 41,911 aliens and excluded more than 9,446 aliens from the United States, bringing total removals for the year to 51,357 -- a 14% increase over the 1994 total. Some 31,525, or more than 61%, of the removals were criminal aliens.

- **Community Policing Grants to be Announced:** On January 25, DOJ awarded more than \$90 million to 821 jurisdictions to help them hire or redeploy 2,255 new police officers. This announcement brings the total number of police officers funded under President Clinton's "100,000 cops initiative" to more than 33,000.

Immigration Bill Next Legislative Item for Senate Judiciary Committee: Senator Simpson's immigration bill, S. 1394, is the next legislative item on the Senate Judiciary Committee calendar. An Executive Judiciary Committee meeting is not expected until after the Senate returns from its recess on February 20.

- **New Drug Czar:** The *New York Times* is working on a story on General McCaffrey and his perception in the Drug Policy community.
- **State Criminal Alien Assistance Program Grants Announced.** On February 1, Attorney General Reno is tentatively scheduled to announce the final FY 1995 awards under the State Criminal Alien Assistance Program. Approximately \$85 million will be awarded to 45 states to partially reimburse them for expenses incurred for the incarceration of illegal criminal aliens.
- **Iraq Claims Registry Announced:** To commemorate the 5th anniversary of the Gulf War, Attorney General Reno announced the Foreign Claims Settlement Commission's establishment of a Registry of outstanding claims against Iraq on January 18, 1996. The Registry will provide a complete and accurate list of outstanding claims against Iraq arising out of the Gulf War and related events.
- **Minnesota AG Requests DOJ Intervention in MEPA Interpretation:** DOJ is examining an issue raised by MN AG Hubert H. Humphrey, III that Attorney General Reno resolve a dispute between the State of Minnesota and the Department of Health and Human Services

(HHS) regarding an interpretation of the Multi-Ethnic Placement Act of 1994 (MEPA). Recent negotiations between MN and HHS have failed to resolve HHS's assertion that MN is not in compliance with MEPA and that Federal funds would be terminated under Title VI. During the coming week, the Civil Rights Division hopes to meet with HHS and the Office of Legal Counsel to discuss the matter.

- **Government will Refrain from filing Civil Forfeiture Actions Against Tribes Involved in New Mexico Gaming:** In *Pueblo of Santa Ana v. Kelly*, the parties signed a stipulation setting aside a hearing on a motion for preliminary injunction. The Tribes will withdraw their mandamus and injunctive relief motions. In exchange, the government agreed to refrain from filing civil forfeiture actions during the pendency of the action. The Tribes have also agreed not to block highways, and to voluntarily close down their operations if the judge ultimately finds that the gaming is unlawful.
- **Solicitor General To Defend Constitutionality of Statute Concerning Indecent Cable Programming:** On or before January 29, DOJ will file a brief on the merits in the Supreme Court in *Denver Area Educational, Inc. v. FCC*. The government is defending the constitutionality of Section 10 of the Cable Television Consumer Protection and Competition Act of 1992, which deals with indecent programming on cable television. The provision's constitutionality was upheld by the D.C. Circuit sitting *en banc*.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **CDC Report on Tobacco Use Released:** On January 25, the CDC released a new report summarizing data on tobacco use in all 50 states and the District of Columbia. This is the first compilation of state-based data on the prevalence of tobacco use, the health impact and costs associated with tobacco use, tobacco control laws, and tobacco use prevention and control programs. According to the CDC report, tobacco use remains the leading preventable cause of death in the United States, causing more than 400,000 deaths each year at an annual cost of more than \$50 billion.

CR
What's the deal here
This looks really good

New Hampshire Medicaid Waiver: The *Granite State Partnership for Access and Affordability in Health Care*, a statewide section 1115 demonstration proposal, would expand the cutoff for Medicaid eligibility for pregnant women and children from 170 - 185% of the Federal poverty level, and extend Medicaid coverage to the uninsured up to 155% of the Federal poverty level. The plan would also eliminate categorical and asset requirements, create a public insurance product to provide health care coverage to low income workers, and provide a broader array of community services for the frail elderly and disabled. The State submitted a revised proposal June 20, 1995 and met with the Administrator on June 26 to discuss various options for health reform. Based on these discussions, the State has submitted a new concept paper for reform of its health care system. An issues letter was sent to the State by HCFA on October 20. HCFA is currently awaiting the State's response.

low key to emphasize that the reintroduction of wolves should not be viewed as an unusual event. USDA's Forest Service is cooperating with the Department of the Interior Fish and Wildlife Service in the transportation and release of wolves into the areas. Yesterday's Denver Post had an article about the wolves reintroduction entitled "Wolf Project '96 a howling success".

UNITED STATES DEPARTMENT OF AGRICULTURE

- Handwritten notes: "law", "legislation", "Dole", "Daschle" with a checkmark and arrow pointing to the first bullet point.*
- Farm Bill Update:** On January 23, Secretary Glickman called a meeting with a bi-partisan group of House and Senate Members to discuss lack of consensus on farm bill legislation. By law, the Secretary must implement the Agricultural Adjustment Act of 1949, which will be both expensive and difficult to administer, unless Congress passes a farm bill. House and Senate Agriculture Committee Chairmen Roberts and Lugar, Reps. de la Garza and Stenholm, and Sens. Dole and Daschle attended the meeting. Chairman Roberts today said that he intends to mark up the Freedom to Farm Act on January 30. The Secretary is optimistic that by working with House Committee Democrats, we can work to ensure that the legislation includes provisions closer to the Administration's positions.
 - Dairy Program Reform Bill Announced:** On January 25, Rep. Gunderson announced a bill to reform the dairy program. He indicated that the bill has bipartisan support and he hopes to get it attached to the farm bill when the full House Agriculture Committee marks up next week.
 - Upcoming Trip to Asia:** On January 25-February 3, Secretary Glickman will travel to India, China, and Korea to discuss trade issues with various government officials. In India, among other things, he will meet with senior officers of the Ministry of Agriculture for the signing of a memorandum of understanding on agricultural exchanges and tour Punjab Agricultural University and several small farms. The Secretary will tour a typical market place or open a market promotion event in China. He will also host a lunch for importers of U.S. agriculture and food commodities. While in Korea, Secretary Glickman will meet with bulk commodity trade representatives. The traveling party includes only five people who will be using commercial airlines.
 - Forest Plan:** A strategy team is being organized in the Pacific Northwest to implement the economic objectives of your Forest Plan by allowing states a greater role in the Jobs-in-the-Woods program. Final team selection is expected by the end of January. Representatives involved in the process will hold status visits with White House and federal agency officials during the week of February 19-23. Secretary Glickman is planning a trip to the Pacific Northwest for the end of February.
 - Travel Inquiry:** GSA informed USDA that the House Government Reform and Oversight Committee is conducting an inquiry into Executive Branch travel. The Committee has

THE PRESIDENT HAS SEEN

1/29/96

THE WHITE HOUSE
WASHINGTON

96 JAN 26 P 7: 37

January 26, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
January 21-27

Budget Amplification Activities: This week, members of the Cabinet conducted budget amplification messages with regional media in 39 cities. Attached are several press clips reflecting the past few weeks' efforts of the Cabinet and sub-Cabinet to amplify your budget message.

FEMA Weekly Update: Due to flooding, you declared major disasters in New York, Pennsylvania and West Virginia this week. Pennsylvania and West Virginia are now receiving both Individual Assistance and Public Assistance. New York is receiving only Individual Assistance at this point, but may receive Public Assistance early next week. Your meeting with the Pennsylvania delegation had a very positive impact. Secretary Cisneros will visit Pennsylvania Saturday, and Deputy Secretary Rominger will visit the State Tuesday. FEMA will have senior level presence in the State each day next week including Deputy Director Ryland, Monday. James Lee Witt will visit New York Monday, and West Virginia Tuesday. You are likely to declare major disasters in Ohio and Virginia for Individual Assistance due to flooding shortly.

FEMA has taken 10,000 calls thus far for flood victims seeking help, and has already set a record for response time with checks already in the mail by late Wednesday for some victims.

Additionally, you declared major disasters this week for limited snow removal in Connecticut, Rhode Island and Massachusetts. James Lee Witt chaired a Washington, D.C. metro area conference to discuss snow response and coordination. A report is due shortly.

DEPARTMENT OF TREASURY

- **Secretary's Activities Next Week:** On January 29, 1996, Secretary Rubin will attend the meeting of Vice President Gore and Prime Minister Chernomyrdin. On January 30, he will meet with Sens. Cochran and Shelby regarding the debt limit and will will meet with the House "Blue Dog Coalition" regarding the debt limit on January 31. On February 1, Secretary Rubin will meet with Chairman Greenspan.
- **FOMC Meets Next Week:** The Federal Open Market Committee (FOMC) will meet on January 30 and 31.
- **Imports of Sporting Weapons from Russia:** The U.S. may resume importing sporting weapons from Russia. All weapons from Russia had been prohibited to stem the flow of inexpensive weapons contributing to street crime into the country. Russian officials have complained that they have been unfairly singled out and the U.S. is exploring ways to admit sporting weapons, but to exclude those that are likely to contribute to crime. ATF is working with other agencies to develop a plan that would accomplish those objectives.
- **Pastors for Peace will Transport Computers to Cuba:** Pastors for Peace has announced plans to defy the Cuba embargo on January 31 by moving 200 personal computers from San Diego into Mexico and to fly the computers to Cuba from Mexico. The computers are to be used for humanitarian purposes, the creation of an on-line medical data base. Those involved in the actual export from the US will likely be clerics and senior citizens.
- **NADBank:** The Finance Committee met on January 24 to discuss candidates for Director of the NADBank Los Angeles office. The list of candidates will be reduced to three or four candidates who will be invited to Washington over the next week to meet with Finance Committee members. Treasury expects to make recommendations by early next month.
- **FY 1997 Treasury Postal Appropriations:** The House Treasury Postal Appropriations Subcommittee is in the process of scheduling its FY 1997 hearings on the Treasury budget. Hearings will begin the first week in March and run through the end of the month. Senate hearings will follow in April. This year, the Subcommittee is going to attempt to produce thematic hearings on topics such as law enforcement, financial crimes and information systems, such as TSM.
- **Savings Association Insurance Fund:** House Republicans are considering including the Administration's SAIF recapitalization proposal in a continuing resolution or debt-limit bill. Budget savings from the proposal could help offset the costs of a \$125-per-child tax credit. Such an offset could face a 60-vote point of order in the Senate.

- **Superfund:** Superfund reform bills are working their way through both houses of Congress. The major differences between these bills and the reauthorization bill proposed by the Administration last year are that they would: restructure liability to shift clean-up costs from the private sector to the public sector; relax clean-up standards; and reduce the scope of claims for natural resource damages. Primarily for these reasons, the Administration has reacted negatively to the Congressional proposals. The Treasury Department has, however, indicated willingness to work with Congress to come up with a proposal that would improve on the current system. The taxes dedicated to the Superfund—excise taxes on chemical and petroleum feedstocks and the corporate environmental income tax expired January 1st. The Superfund trust fund has a sufficient balance to continue clean-up operations for more than a year as long as funds are appropriated by Congress in the future.
- **Kemp Commission Hearings:** The Senate Finance Committee has scheduled a hearing on the findings of the Kemp Commission for January 31. The Administration has not been asked to testify. It is the Treasury Department's understanding that the only witnesses will be members of the Kemp Commission.
- **Terrorism Sanctions:** The Office of Foreign Assets Control has published a final regulation that will implement the President's January 1995 Executive Order prohibiting transactions with terrorists who threaten to disrupt the Middle East peace process. The regulation will block all property of the foreign persons or organizations named in the Executive Order (Specially Designated Terrorists), when the property is either located in the U.S. or in the control of a U.S. person.
- **Payment of Employment Taxes on Deferred Pay:** The IRS has published a proposed regulation that will require companies who give executives certain types of "nonqualified" deferred compensation to pay Social Security and Medicare taxes when the compensation is earned, as opposed to when it is paid out, which could be years later. However, in cases where the future value of a retirement plan cannot be easily determined, the regulation allows companies to wait until the plan's value is ascertainable. The regulation implements a provision of the Social Security Amendments of 1983. This regulation was described on the front page of the January 24 *Wall Street Journal*.

DEPARTMENT OF COMMERCE

- **Women-Owned Business Study to be Released Next Week:** On Monday, January 29, the Census Bureau will release the results of its Women-Owned Business study during an event at the White House.

- **Commerce will Release the Following Economic Indicators:**

Advance Retail Sales	January 30
Quarterly Financial Report - Retail, 3rd Quarter for 1995	January 31
Housing Vacancies	February 1
International Trade	February 2.

DEPARTMENT OF LABOR

- **BLS Will Release the Following Economic Statistics that were delayed due to the Federal Government Shutdown:**

Producer Price Index	January 31 (postponed from 1/11)
Consumer Price Index	February 1 (postponed from 1/12).
Employment Cost Index	February 13 (postponed from 1/30)
Major Collective Bargaining Settlements in Private Industry	February 16 (postponed from 1/30).

Other postponed releases will be rescheduled as soon as possible.

- **America's Job Bank Usage Increases:** There has been a significant increase in the usage of America's Job Bank (AJB). America's Job Bank on the Internet provides job information to employers and the unemployed beyond the employment service's local offices. In the past week alone, AJB usage has increase 19.3 percent to approximately 168,000 "hits" per week.  Point Communications, an independent reviewer of Internet services, named America's Job Bank to its Hall of Fame. Magellan, an online directory of Internet sites produced by the McKinley Group, gave AJB its highest rating -- four stars and PC Magazine included America's Job Bank in its list of the top 100 web sites.

- **\$4 Million in One-Stop Funding Awarded:** On January 26, Secretary Reich awarded \$4 million in One-Stop planning and development grants to the following 23 states and territories: Alabama; Arkansas; Delaware; Georgia; Hawaii; Maine; Mississippi; Nebraska; Nevada; New Hampshire; New York; North Dakota; Oklahoma; Pennsylvania; Rhode Island; South Carolina; South Dakota; Tennessee; Wyoming. The District of Columbia, Guam, Puerto Rico and the Virgin Islands will also receive grants.

- **Garment Enforcement Activities in New York:** Four more investigations involving garment contractors in the New York City area have been successfully concluded. Fines totaling more than \$50,000 have been paid to more than 150 workers.

- **Fair Labor Standards Act Enforcement:** DOL's Employment Standards Administration continues to enforce payment of hundreds of thousands of dollars in back wages and unpaid overtime pay. Two recent large awards include: The Caribbean Security Guard Strike Force back wage findings now total \$849,827 to 1321 employees and Selma University in Selma,

AL, paid \$428,000 to 74 employees for missed payrolls during nine months in 1995.

- **G.I. Bill for America's Workers:** House and Senate conference negotiations on H.R. 1617 and S. 143 have begun. These two bills contain many elements of your G.I. Bill for America's Workers.
- **Contracts Covering Petroleum Industry Workers Expire Next Week:** On January 31, 340 contracts covering 40,000 petroleum industry workers expire. The workers are represented by the Oil, Chemical and Atomic Workers International Union. On January 19, the union rejected a settlement offer advanced by Amoco on behalf of other major producers. Other major producers involved in the talks include Sun Oil, Chevron, Mobil, Shell, Texaco, and Ashland. Negotiations are continuing.
- **FedEx Update:** Negotiations between the Air Line Pilots Association (ALPA) and FedEx are continuing. The National Mediation Board is assisting in the talks. The 30-day "status quo" period under the Railway Labor Act expired on November 25. The ALPA urged pilots to refuse overtime work and "work to rule." FedEx, in turn, unilaterally increased certain wage payments and imposed work rule changes.
- **NYC Office Building Workers Break Off Negotiations with Employers:** On January 20, after more than 13 hours of talks, negotiations broke off between the Service Employees International Union (SEIU) and the employer group representing about 1,000 New York City office buildings. The strike by some 30,000 cleaners, porters, and elevator operators continues. The stoppage began on January 4, after the union's bargaining committee rejected a "final" offer from the Realty Advisory Board, the industry group. No new talks are scheduled.
- **AFL-CIO Positions Announced by Sweeney:** On January 24, AFL-CIO president John J. Sweeney announced the following: Arthur Coia, president of the Laborers' International Union of North America, will chair the executive council's organizing committee. Gerald McEntee, president of AFSCME, will head up the political action committee. Doug Dority, president of the United Food and Commercial Workers, will chair the public affairs committee. And Albert Shanker, president of the American Federation of Teachers, will chair the education committee.

DEPARTMENT OF TRANSPORTATION

- **Tank Barge Grounding and Oil Spill in Rhode Island:** On January 19, the tank barge North Cape aground off the Rhode Island coast. Approximately 820,000 gallons of heating fuel spilled into Block Island Sound. This is the largest oil spill in the state's history and significantly impacts the coastal ecosystem in the area of the spill. Coast Guard Commandant Admiral Kramek, Secretary Pena, and Administrator Browner went to Rhode

Island to assess the damage and recovery efforts. The barge is no longer leaking oil and most of the remaining oil has been removed. Coast Guard overflights indicate concentrations of oil have dissipated. There are no heavy concentrations of oil offshore. The Governor of RI and the state's Congressional delegation is satisfied with the Coast Guard's response to the spill. The barge owner continues to pay for the removal of the oil and salvage of the barge. The National Transportation Safety Board and the Coast Guard are investigating the cause of the fire that resulted in the spill.

- **Emergency Relief Funds for Flood Damage Awarded:** On January 21, Secretary Pena awarded \$1 million in Emergency Relief funds to Pennsylvania to help repair highway damage caused by the recent flooding. Secretary Pena, FEMA Director Witt, Federal Highway Administrator Slater and other Federal officials toured the flood-impacted areas in Pennsylvania and awarded an additional \$5 million to the state during a meeting with Governor Ridge. On January 22, DOT awarded \$5 million to New York in Emergency Relief funds for flood damage. The agency continues to monitor the effects of winter weather flooding in New Jersey, Vermont, Delaware, Maryland, Virginia, West Virginia as well as New York and Pennsylvania.
- **Central Artery/Third Harbor Tunnel (CA/THT):** On January 23, the Federal Highway Administrator Slater sent a letter (which was not released to the press) to the MA Secretary of Transportation outlining the agency's concern with the state's most recent financial plan for the CA/THT project. On January 24, Secretary Pena received a letter from House Transportation Appropriations Subcommittee Chairman Wolf (R-VA), which raised many concerns about the CA/THT project and which called for a freeze on all funding for the project. On January 24, FHWA released the January 23 letter to Boston reporters; stories about that letter and the state's reaction appeared in Boston papers on January 25.
- **Report on Air Traffic Control System Released:** On January 19, the FAA released a report by an independent panel of experts that addressed on-going efforts to resolve equipment and power concerns at America's 21 air route traffic control centers. The report characterized the systems as "sound." On January 23, the NTSB released its report on the system stating it is "very safe" and "should not be unduly alarmed by recent press accounts of specific" equipment malfunctions at air route ATC centers (ARTCC). The board adds that the computers are aging, but for now they are working perfectly.
- **U.S. - Japan Air Cargo Talks:** A third round of air cargo talks with Japan is scheduled to take place February 5-7 in Tokyo.
- **"Save the Planet -- Ride Mass Transit" Campaign Kickoff:** On January 31, Secretary Pena will join artist Peter Max to kickoff a campaign to raise public awareness of the benefits of mass transit. 31,000 Max-designed posters will appear in cities throughout the U.S.

- **DOT Travel Questioned:** The House Transportation Appropriations Subcommittee chaired by Rep. Wolf (R-VA) will probably hold a press event at the end of next week to criticize the DOT's travel for FY1995. The committee is basing its comments on material provided by the DOT Inspector General and will focus on DOT officials who, in the committee's judgment, traveled excessively. DOT is reviewing travel records to prepare its response.
- **Initial Decision of Chrysler Noncompliance With Vehicle Safety Standard:** In a press release on January 23, the National Highway Traffic Safety Administration (NHTSA) announced its initial decision that more than 91,000 Model Year 1995 Chrysler Cirrus and Dodge Stratus passenger cars manufactured before May 15, 1995, do not meet its safety standard for seat belt anchorage strength. If there is a final decision of noncompliance by the NHTSA Administrator, then an order to recall the vehicles may be made.
- **Safety Recall of Cosco Child Seats:** On January 24, the NHTSA announced a safety recall of 15,370 Dreamride Ultra infant seats manufactured by Cosco, Inc., of Columbus, OH because they do not meet the standard for crash safety.
- **\$6.5 Million in Transit Grants to Philadelphia:** Federal Transit Administrator Linton and Rep. Foglietta (D-PA) announced the award of federal funds for three transit-related projects in the City of Philadelphia. The first grant of \$54,000 is a Livable Communities Initiative grant for a planning study of the North Philadelphia Transportation Center. The second announcement is an intent to award \$3 million in capital funds that will enable the Southeastern Pennsylvania Transportation Authority (SEPTA) to implement the results of this planning study and rehabilitate the North Philadelphia station of the Broad Street subway. The third grant of \$3.5 million to Philadelphia will provide funds for the Erie Avenue Intermodal Terminal Improvements Project.

SMALL BUSINESS ADMINISTRATION

- **Administrator Inspects Flood Damage in Several States:** On January 22, SBA Administrator Lader joined FEMA Director Witt, Transportation Secretary Pena, and Highway Administrator Slater in a tour of the flood damage in Pennsylvania. On January 23, he travelled with this group to Maryland to survey flood damage in that state.
- **Rhode Island Declared Disaster:** Administrator Lader approved a disaster declaration for the state of Rhode Island due to the oil spill from the grounded barge North Star that has devastated the beaches and waterfronts of that state.
-  **SBA Disaster Program to Expire:** Funding for the SBA Disaster Program is expected to expire at the end of February or early March. Staff from Congressional, Financial and Disaster offices met with CJS appropriation subcommittee staff to discuss this issue. Since the start of FY96, SBA has approved 12,728 new disaster loans for \$365.0 million which resulted in \$403.1 million in obligated funds after cancellations, increases, and decreases.

U.S. TRADE REPRESENTATIVE

- **Meeting with Teamsters President to Discuss NAFTA Trucking Provisions:** On January 22, Ambassador Kantor met with Ron Carey, General President of the Teamsters Union, regarding the delayed implementation of the NAFTA trucking provisions. Among the topics discussed were summary of the recent Chapter 20 consultations; recent border inspection statistics, border/narcotics issues, and various safety issues including methods to track driver records, training, and performance.
- **WTO Dispute Settlement Proceedings Against Japan:** USTR laid the groundwork for initiating WTO dispute settlement proceedings against Japan for its non-compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Japan's failure to fully protect U.S.-origin sound recordings produced between 1946 and 1971 is inconsistent with Japan's obligations under the TRIPs agreement to provide retroactive protection against piracy of these recordings. It is expected that formal consultation process under WTO procedures in early February.
- **U.S.-Canada Negotiations on Softwood Lumber Dispute:** On January 25-26, Ambassador Shapiro is leading negotiations with Canada and British Columbia in an effort to resolve the longstanding softwood lumber dispute with Canada by the target date of January 31.
- **Negotiations on Export-Import Financing of Ilyushin Project:** Ambassador Shapiro is leading the negotiating team on market access with Russia in connection with the proposed Ex-Im financing of the Ilyushin project. These negotiations are being coordinated with the Office of the Vice President in advance of next week's meeting between the Vice President and Russian Prime Minister Chernomyrdin. USTR also has a negotiating team meeting with its Japanese counterparts today in an effort to address our serious concerns about non-implementation of the insurance agreement with Japan.

DEPARTMENT OF JUSTICE

✓ **Supreme Court Denies Certiorari In California Voting Rights Case:** On January 22, 1996, the Supreme Court denied California's petition for certiorari in *Wilson v. Voting Rights Coalition*. The Ninth Circuit previously rejected California's Tenth Amendment challenge to the National Voter Registration Act ("NVRA"). The court held that the NVRA is a constitutional exercise of Congress's broad power to regulate elections for federal office. The court further concluded that "Congress may conscript state agencies to carry out voter registration for the election of Representatives and Senators." Rejecting California's claim that the NVRA unconstitutionally imposed an "unfunded mandate," the court concluded that California's duty to carry out federal election regulations "is by its terms intended to be borne by the states without compensation."

- **Oral Argument In *U.S. v. Colorado Supreme Court*:** On January 26, 1996, arguments were heard in *United States v. Colorado Supreme Court, et al.*, a supremacy clause challenge to Colorado's Rules of Professional Conduct. The U.S. brought suit against the Colorado Supreme Court and its Disciplinary Counsel, seeking to declare invalid and enjoin the operation of two provisions of the Colorado Rules of Professional Conduct. The provisions at issue require attorneys to disclose exculpatory evidence in grand jury proceedings and to seek and obtain judicial approval before issuing a grand jury or trial subpoena to a lawyer. The government alleges that these requirements are invalid under the Supremacy Clause as applied to federal prosecutors. The district court dismissed the complaint for lack of Article III standing.



INS Ends 1995 With New Records in Alien Removals: During calendar year 1995, INS deported more than 41,911 aliens and excluded more than 9,446 aliens from the United States, bringing total removals for the year to 51,357 -- a 14% increase over the 1994 total. Some 31,525, or more than 61%, of the removals were criminal aliens.

- **Community Policing Grants to be Announced:** On January 25, DOJ awarded more than \$90 million to 821 jurisdictions to help them hire or redeploy 2,255 new police officers. This announcement brings the total number of police officers funded under President Clinton's "100,000 cops initiative" to more than 33,000.

Let's see
how much to
Obama.

Immigration Bill Next Legislative Item for Senate Judiciary Committee: Senator Simpson's immigration bill, S. 1394, is the next legislative item on the Senate Judiciary Committee calendar. An Executive Judiciary Committee meeting is not expected until after the Senate returns from its recess on February 20.

- **New Drug Czar:** The *New York Times* is working on a story on General McCaffrey and his perception in the Drug Policy community.
- **State Criminal Alien Assistance Program Grants Announced.** On February 1, Attorney General Reno is tentatively scheduled to announce the final FY 1995 awards under the State Criminal Alien Assistance Program. Approximately \$85 million will be awarded to 45 states to partially reimburse them for expenses incurred for the incarceration of illegal criminal aliens.
- **Iraq Claims Registry Announced:** To commemorate the 5th anniversary of the Gulf War, Attorney General Reno announced the Foreign Claims Settlement Commission's establishment of a Registry of outstanding claims against Iraq on January 18, 1996. The Registry will provide a complete and accurate list of outstanding claims against Iraq arising out of the Gulf War and related events.
- **Minnesota AG Requests DOJ Intervention in MEPA Interpretation:** DOJ is examining an issue raised by MN AG Hubert H. Humphrey, III that Attorney General Reno resolve a dispute between the State of Minnesota and the Department of Health and Human Services

1-29-96

(HHS) regarding an interpretation of the Multi-Ethnic Placement Act of 1994 (MEPA). Recent negotiations between MN and HHS have failed to resolve HHS's assertion that MN is not in compliance with MEPA and that Federal funds would be terminated under Title VI. During the coming week, the Civil Rights Division hopes to meet with HHS and the Office of Legal Counsel to discuss the matter.

- **Government will Refrain from filing Civil Forfeiture Actions Against Tribes Involved in New Mexico Gaming:** In *Pueblo of Santa Ana v. Kelly*, the parties signed a stipulation setting aside a hearing on a motion for preliminary injunction. The Tribes will withdraw their mandamus and injunctive relief motions. In exchange, the government agreed to refrain from filing civil forfeiture actions during the pendency of the action. The Tribes have also agreed not to block highways, and to voluntarily close down their operations if the judge ultimately finds that the gaming is unlawful.
- **Solicitor General To Defend Constitutionality of Statute Concerning Indecent Cable Programming:** On or before January 29, DOJ will file a brief on the merits in the Supreme Court in *Denver Area Educational, Inc. v. FCC*. The government is defending the constitutionality of Section 10 of the Cable Television Consumer Protection and Competition Act of 1992, which deals with indecent programming on cable television. The provision's constitutionality was upheld by the D.C. Circuit sitting *en banc*.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **CDC Report on Tobacco Use Released:** On January 25, the CDC released a new report summarizing data on tobacco use in all 50 states and the District of Columbia. This is the first compilation of state-based data on the prevalence of tobacco use, the health impact and costs associated with tobacco use, tobacco control laws, and tobacco use prevention and control programs. According to the CDC report, tobacco use remains the leading preventable cause of death in the United States, causing more than 400,000 deaths each year at an annual cost of more than \$50 billion.

Cheung
What's the
deal here
This looks
really
good

• **New Hampshire Medicaid Waiver:** The *Granite State Partnership for Access and Affordability in Health Care*, a statewide section 1115 demonstration proposal, would expand the cutoff for Medicaid eligibility for pregnant women and children from 170 - 185% of the Federal poverty level, and extend Medicaid coverage to the uninsured up to 155% of the Federal poverty level. The plan would also eliminate categorical and asset requirements, create a public insurance product to provide health care coverage to low income workers, and provide a broader array of community services for the frail elderly and disabled. The State submitted a revised proposal June 20, 1995 and met with the Administrator on June 26 to discuss various options for health reform. Based on these discussions, the State has submitted a new concept paper for reform of its health care system. An issues letter was sent to the State by HCFA on October 20. HCFA is currently awaiting the State's response.

- **IL Medicaid Demonstration:** HCFA is working with the State of Illinois on the final terms and conditions of Illinois' section 1115 Medicaid demonstration project, entitled "Illinois MediPlan Plus." The statewide health care reform demonstration has goals of increasing access and quality of health care and limiting rising costs through the increased use of Medicaid managed care. Depending on the outcome of the State's review of the terms and conditions, HCFA could approve the demonstration in February.

Record IRS Collections for Delinquent Child Support: In the next few weeks, HHS will report that a record of over \$828 million in delinquent child support was collected from Federal income tax refunds for tax year 1994. The amount was nearly 18% higher than the previous year. Over 1.1 million families benefitted from this critical support. As the report becomes available, HHS will work closely with the White House.

- **Approval of PA Medicaid State Plan Amendment:** HCFA staff met with the State of Pennsylvania on January 26 to discuss possible settlement of a plan amendment which provides for the reimbursement of nursing facilities. Although HCFA had disallowed a related previous amendment, modifications recently made by the State have improved its chances for approval. Discussions will continue on the previously disapproved waiver.
- **Disproportionate Share Hospital (DSH) Payments to be Withheld from AL:** Early next week HCFA will withhold approximately \$18 million in DSH funds from the State of Alabama because of inappropriate managed care arrangements. HCFA has determined that the managed care arrangement exists only on paper and serves only as a dummy corporation to use impermissible donations to move DSH money from non-public to public hospitals in excess of limits imposed by the statute. HCFA is trying to work with the State to identify a way in which the State can legitimately operate this program within federal guidelines without a loss in federal financial participation.
- **Large Volume of Questionable State Medicaid Claims:** HCFA's routine reviews of fourth quarter FY 1995 expenditure reports have identified \$1.59 billion (\$888 million Federal share) in questionable claims for Federal matching funds from 13 states. HHS assumes most were filed because the states anticipated new legislation that would use FY 1995 as the base year and hold states harmless for previously disallowed claims. Virtually all of the \$1.59 billion represents claims from 9 states: HI, IL, MA, MI, NH, NC, OH, TN, and DC. The balance was submitted by AK, MN, NE and WI following standard practice, HCFA will defer payment of these claims until the states in question submit documentation adequate to support the expenditures.
- **New Surgery Guide Encourages Consumers to Evaluate Options:** A new brochure to be released in the next week by the Agency for Health Care Policy and Research will encourage consumers to learn more about the risks and benefits of elective surgery and to help them make more informed decisions in consultation with their doctors. One in 10 Americans has surgery every year, according to the National Center for Health Statistics.

- win (could!)
- **New Member of President's Council on Physical Fitness and Sports:** On February 8, Secretary Shalala will swear in former Buffalo Bill's quarterback, Jim Kelly, as the newest member of the President's Council on Physical Fitness and Sports.
 - **Milk Hormone:** This week, the media reported on a purported "new study" that concludes that milk from dairy cows injected with a hormone known as recombinant Bovine Somatotropin (RBST), used to stimulate milk production, contains increased levels of an insulin-like growth factor that causes an increased risk of breast and colon cancers in humans. FDA and other prominent health organizations consider the study, which is actually a compilation of previously released information, to be inaccurate and FDA stands by its earlier statements that the drug is safe and poses no significant health risk.
 - **OIG Issues Draft Report on Improper Medicare Payments:** On January 23, the Office of the Inspector General issued a draft audit report identifying \$21.1 million in potential improper billings and subsequent payments for nonphysician outpatient services rendered within the diagnosis-related group (DRG) payment window for the period of January 1992 through December 1993. As a result of prior OIG reviews on this subject, HCFA has recovered over \$100 million in improper payments. The OIG has a joint project underway with the Department of Justice to recover overpayments, assess penalties and interest, ensure refunds of coinsurance overpayments to beneficiaries, and take measures to help ensure hospitals have the necessary systems in place to curtail this situation. Coordination with DOJ is expected to result in recoveries in excess of \$200 million, which includes the amount identified in this draft report.
 - ✓ **Los Alamos Computers to Help Hunt for Medicare Fraud:** This week, HHS signed an agreement with Los Alamos National Laboratory to allow the use the laboratory's supercomputers to help identify perpetrators of Medicare fraud. Under a 2-year, \$6 million contract with the HCFA, Los Alamos will use modern computer techniques to analyze Medicare transactions. Los Alamos also will recommend improvements that should reduce fraud and payment mistakes.
 - **Press Inquiries:** The *New York Times* is preparing a story about the "political pressures of policymaking in an election year." Elaine Sciolino interviewed Secretary Shalala for the piece, in addition to Secretaries Reich and Riley. These three Cabinet members have been working closely with the White House Press Office and the public affairs staff at HUD and Labor to ensure that they articulate a consistent message.

SOCIAL SECURITY ADMINISTRATION

- **SSA Attempts to Improve Access to 800 Number:** SSA has been implementing plans for the past year to significantly improve public access to its 800 Number for 1996. These plans include offering advanced automated service options to the public, and training and equipping

up to 3,000 additional employees to answer calls. As part of the automated services, AT&T was to have significantly increased its network capacity for SSA by January 2, 1996. On January 2 the capacity of the network AT&T provided SSA was not equal to the demand, and many of SSA's callers could not get through. Commissioner Chater has requested a meeting with the Chief Executive Officer of AT&T to discuss AT&T's inability to meet its commitments.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **VA Governor Approves Controversial Lending Policy:** This past week, under the leadership of Governor George Allen, the Board of Directors of the VA Housing Development Authority (VHDA) voted to exclude all unmarried couples (straight, as well as gay and lesbian) from seeking FHA-insured loans for homeownership. The Board essentially limited the state's FHA borrowers to the stricter definition of "families" rather than to the broader term "households." A Democratic appointee to the Board has asked HUD to determine whether this new policy violates the Equal Credit Opportunity Act, which prohibits discrimination based on marital status. If so, VA may be barred from participating in the FHA loan program. VHDA asserts that the policy complies with all fair lending laws.
- **Secretary Tours Flood-Ravaged Pennsylvania:** On January 27, Secretary Cisneros will tour flood-damaged areas in Pennsylvania with Rep. Paul Kanjorski and FEMA officials. Pending OMB approval, HUD may announce nearly \$1 million in disaster relief funds for Shickshinny Borough and Hanover Township in the Wilkes-Barre area.
- **HUD Launches Blueprint II:** Secretary Cisneros unveiled his plans to "finish what we started" and fundamentally change the way the federal government relates to communities in a speech to the U.S. Conference of Mayors on January 26. In short, HUD will give communities more power in administering federal programs, change the whole dynamic of public and assisted housing, ensure the opportunity of homeownership for all Americans who want it, and transform HUD into a "right-side-up, community-first" Cabinet agency.
- **HUD Foreclosure on Property:** On January 22, HUD notified the owner of Lake Grove Villages, the site of the January 18 fire that killed 4, that HUD had begun foreclosure proceedings on the eight-building apartment complex. The owners have been in financial default for several years and had a long history of building code violations. It was only coincidental that the foreclosure notice came after the fire. Local HUD officials have already identified and met with another private management firm to discuss the possible transfer of ownership of the development.
- **HUD May Take Control of Housing Authority of New Orleans Next Week:** HUD may assume control of the troubled Housing Authority of New Orleans (HANO) as early as January 29. Secretary Cisneros met with Mayor Morial on January 26. HUD is prepared to declare HANO and the City in breach of its contract with HUD to resolve management

deficiencies at the housing authority. HUD is currently working with the Mayor on a new agreement which will give him an opportunity to play a role in the federal efforts to stabilize the housing authority. HUD intends to assume management of HANO with the full cooperation of Mayor Morial. The declaration of breach includes a dissolution of the current Board members of the housing authority and installation of a management team composed of HUD staff and outside experts. HUD briefed the New Orleans Congressional delegation in late December on this matter and will give them proper prior notification.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Governors Conference on Drugs:** Acting Director Garcia will travel to Puerto Rico to meet with the Governor and discuss the upcoming joint ONDCP-Governor Conference on Drugs scheduled for March 21-22. This conference will prepare an agenda for consideration by the National Governor's Association meeting in Puerto Rico in July, focusing on how states can best increase their impact against drug abuse.

VETERANS AFFAIRS

- **VA's Health Care System:** The VA anticipates heavy media interest following Wednesday evening's airing of the "NBC Nightly News" segment on VA's health care system. The segment was part of NBC's "Fleecing of America" series. Dr. Kenneth Kizer, VA's Under Secretary for Health, discussed medical eligibility reform and his plans for reorganizing VA's health care system.
- **National Salute to Hospitalized Veterans:** VA will announce that actor Barry Corbin, a Marine Corps veteran, will serve as Chairman of VA's National Salute to Hospitalized Veterans. Mr. Corbin will visit hospitalized veterans across the country. This annual observance began in 1974 and is held at VA's medical facilities and state veterans' homes during the week of Valentines Day, February 11-17, 1996.

DEPARTMENT OF INTERIOR

- **C&O Canal Tour:** This weekend, Secretary Babbitt will tour the C&O Canal by helicopter to view the damage from the recent floods. The *Washington Post* and CBS News has also indicated an interest in doing a story on the C&O Canal. The CR sets aside \$2 million for the clean-up.
- **Reintroduction of Wolves in Yellowstone:** This week, thirty additional wolves were reintroduced to Yellowstone National Park and central Idaho's national forests. The reintroductions continue to generate press but the Department is trying to keep the events

low key to emphasize that the reintroduction of wolves should not be viewed as an unusual event. USDA's Forest Service is cooperating with the Department of the Interior Fish and Wildlife Service in the transportation and release of wolves into the areas. Yesterday's Denver Post had an article about the wolves reintroduction entitled "Wolf Project '96 a howling success".

UNITED STATES DEPARTMENT OF AGRICULTURE

- Handwritten notes:*
 1-29-96
 1-29-96
 1-29-96
 1-29-96
- Farm Bill Update:** On January 23, Secretary Glickman called a meeting with a bi-partisan group of House and Senate Members to discuss lack of consensus on farm bill legislation. By law, the Secretary must implement the Agricultural Adjustment Act of 1949, which will be both expensive and difficult to administer, unless Congress passes a farm bill. House and Senate Agriculture Committee Chairmen Roberts and Lugar, Reps. de la Garza and Stenholm, and Sens. Dole and Daschle attended the meeting. Chairman Roberts today said that he intends to mark up the Freedom to Farm Act on January 30. The Secretary is optimistic that by working with House Committee Democrats, we can work to ensure that the legislation includes provisions closer to the Administration's positions.
 - Dairy Program Reform Bill Announced:** On January 25, Rep. Gunderson announced a bill to reform the dairy program. He indicated that the bill has bipartisan support and he hopes to get it attached to the farm bill when the full House Agriculture Committee marks up next week.
 - Upcoming Trip to Asia:** On January 25-February 3, Secretary Glickman will travel to India, China, and Korea to discuss trade issues with various government officials. In India, among other things, he will meet with senior officers of the Ministry of Agriculture for the signing of a memorandum of understanding on agricultural exchanges and tour Punjab Agricultural University and several small farms. The Secretary will tour a typical market place or open a market promotion event in China. He will also host a lunch for importers of U.S. agriculture and food commodities. While in Korea, Secretary Glickman will meet with bulk commodity trade representatives. The traveling party includes only five people who will be using commercial airlines.
 - Forest Plan:** A strategy team is being organized in the Pacific Northwest to implement the economic objectives of your Forest Plan by allowing states a greater role in the Jobs-in-the-Woods program. Final team selection is expected by the end of January. Representatives involved in the process will hold status visits with White House and federal agency officials during the week of February 19-23. Secretary Glickman is planning a trip to the Pacific Northwest for the end of February.
 - Travel Inquiry:** GSA informed USDA that the House Government Reform and Oversight Committee is conducting an inquiry into Executive Branch travel. The Committee has

requested copies of all senior federal travel reports and other information related to compliance with your February 1993 Executive Order regarding use of government aircraft.

- **Salvage Timber Story:** *The Washington Post* is working on a story analyzing how well salvage timber portions of the rescissions bill are working, including controversy over Section 318 timber sales.
- **Government Overturned In Rescissions Act Timber Case:** District Court Judge Hogan (Oregon) rejected the government's interpretation of the 1995 Rescissions Act, potentially forcing the Forest Service to release 57 timber sales totalling 230.56 million board feet, and the Department of the Interior Bureau of Land Management to release two timber sales in Oregon and Washington, totalling 10 million board feet. While the Rescissions Act allows the sales to be withheld if an endangered or threatened bird is "known to be nesting" in the timber sale unit, Judge Hogan rejected the government's approach of using a scientific protocol that infers nesting in a timber sale unit if a bird was observed flying into a nearby stand. Judge Hogan held these sales could only be withheld under the Rescissions Act if the agencies had direct observation or evidence of current nesting within the boundaries of the timber sale. The January 19 decision in *NFRC v. Glickman* is the fifth time Judge Hogan has rejected the government's interpretation of Section 2001(k) of the Rescissions Act, and two of his previous decisions are on appeal to the Ninth Circuit Court of Appeals. The Department of Justice is also planning to appeal this decision. Judge Hogan has granted a 60 day stay during which the government need not release any timber sales.
- **Demonstration Expected During Rocky Timber Sale Logging:** Logging activities are expected to begin next week on the Rocky Timber Sale on the Olympic National Forest (Washington) and Forest Service personnel anticipate a number of controversial demonstrations by environmental groups over the Rescissions Act (Section 318 timber sale). The agency is operating under the law and has explored alternatives and made modifications to the sale. Representative Dicks was interested in seeing a federal buyout of this sale, but efforts to buyout the sale were not successful. The Umpqua National Forest (Oregon) was the site of a demonstration last week by 200 people concerned about the Rescissions Act.
- **Rainbow Family To Gather In Southern Region:** The communal group Rainbow Family is planning a regional gathering in Florida sometime in mid-February to test the constitutionality of the non-commercial group use regulation, which became effective on September 29, 1995. It is likely the group will not obtain a permit as required under those regulations. If the group does not find a suitable site in Florida, it may move to Georgia. The regional gathering has taken place on the Ocala National Forest in recent years. Forest Service officials are working closely with other federal officials in Florida and Georgia.
- **Colombia Requires Fumigation of U.S. Fruits and Vegetables:** After oriental fruit fly detections in California and Florida, Colombia is now fumigating all fruits and vegetables from the United States with methyl bromide. Colombia's action represents the latest in a

series of trade-restrictive moves by countries in the region in response to Fruit fly detections. Ecuador has required fumigation for California produce since December 1995, and Argentina has banned all California produce since October 1995. On January 24, Secretary Glickman discussed the issue with Colombia's Ambassador to the United States. He called Colombian authorities and, we understand, was able to work out a solution that will enable U.S. fruits from the Pacific Northwest to be imported.

DEPARTMENT OF ENERGY

- **Press Conference on Openness:** On February 1, Secretary O'Leary will conduct a press conference on openness issues. The press conference will focus on the Department's initiatives since 1993. The Department will review its successes in exposing past Government-sponsored radiation experiments, nuclear weapons tests, and the quantity of weapons grade materials that had been held in secret. Secretary O'Leary will put forth new initiatives such as changing the presumption of whether documents should be classified, complying with your Executive Order on declassification, and quantifying past foreign acquisitions and transfers of plutonium. The Department will also review the Departments of Energy and Defense's inventory of plutonium and discuss what that material has been used for.
- **New York Times Travel Story:** The *New York Times* is planning to write a negative story on Secretary O'Leary's travel in Sunday's edition.
- **Hearing on Department Travel Cancelled:** The House Subcommittee on Oversight and Investigations of the Commerce Committee cancelled the hearing scheduled for January 25. They stated that the Department of Energy has not been cooperative in providing them with the documents with effective oversight. Secretary O'Leary does not believe this to be the case. The Department of Energy has provided the Committee with over 20,000 pages of documents on the trips that they have sought information on. The hearing has not been rescheduled yet.
- **\$10 Million Grant to Metropolitan Denver Region:** This week, the Department authorized \$10 million in funding for the National Conversion Pilot Project. This project utilizes displaced workers from the Rocky Flats Site, a former nuclear weapons production facility, to manufacture waste containers from recycled scrap metals used in the weapons production process.
- **News Story on Nuclear Weapons Containers:** ABC News may broadcast a story on the evening news next week on the production of Transportation Safe Nuclear Weapons Containers. During the previous administration, the Department spent \$23.5 million on a program to develop and produce accident-safe containers for Air Force nuclear weapons, in spite of the fact that the Air Force did not want to use them. An additional \$5 million was authorized for this program in 1993.

ENVIRONMENTAL PROTECTION AGENCY

- **VA, HUD Appropriations Hearing:** On January 25, Administrator Browner testified before the Senate Appropriations Subcommittee on VA, HUD and Independent Agencies (Bond R-MO) on the Agency's FY 1996 appropriations. The Chairman pointed out that EPA would have been better off being funded under the conference report than under the series of Continuing Resolutions. The Administrator made the point that both GOP proposals are unacceptable because of the severe impacts on public health and environmental protection and that your budget proposal will balance the budget in seven years while protecting public health and the environment.
- **Safe Drinking Water Act Reauthorization:** On January 31, both the House Transportation and Infrastructure Subcommittee on Water Resources and Environment and the House Commerce Subcommittee on Health and Environment will hold hearings on reauthorization of the Safe Drinking Water Act. Assistant Administrator for Water Bob Perciasepe will testify at both hearings. The T & I hearing is on H.R. 2747, Chairman Shuster's (R- PA) bill to reauthorize the State Revolving Fund of the Safe Drinking Water Act. His bill set off a jurisdictional dispute with the Commerce Committee over the SRF portion of the Safe Drinking Water Act. The Commerce hearing will cover the breadth of reauthorization issues.



Project XL: The EPA has selected IBM to demonstrate its "excellence and leadership" in environmental protection through Project XL. As a Project XL participant, IBM proposes to achieve better environmental results at less cost by biologically treating its wastes on site rather than shipping them off site for incineration. Proposals continue to come in for Project XL with almost 30 proposals received so far. In addition, EPA has received the first four proposals for Community XL and expects to select the pilots for this initiative within the next few weeks.



Brownfield Pilot Grant Recipients Announced: On January 25, the EPA announced the next round of communities selected to receive Brownfield Pilot grants. The EPA funded a total of 29 pilots in 1995 and hopes to fund an additional 10 later this year. These pilots awarded communities up to \$200,000 over a two year period for the cities and to aid them in bringing economic and environmental renewal to communities in which brownfields are located. The communities chosen were: Emmerlyville, CA, Portland, OR, Houston, TX, the Rhode Island Dep't of Environmental Management, Lawrence, MA, Stockton, CA, New York, NY, Tacoma, WA, Phoenixville, PA and Worcester, MA. Administrator Browner was interviewed by *Wall Street Journal* on new uses for abandoned industrial property. The interview focused on the Clinton Administration's Brownfield Economic Redevelopment Initiative which returns contaminated, abandoned commercial properties back to productive use.

- **Everglades Restoration:** EPA has been working with OMB, CEQ and other Federal agencies to draft Everglades restoration objectives and funding mechanisms in response to the Vice President's January 11 memorandum. This action will provide the Administration with a blueprint for the full restoration of South Florida's Everglades. Restoration proposals have emerged for inclusion on the CR that would provide some measure of funding to the Everglades. The EPA believes these proposals would not provide an adequate commitment to the Everglades, while the Administration's plan will provide the necessary tools to protect this important resource.
- **New Hampshire Wildlife Federation:** On January 25, Administrator Browner travelled to New Hampshire to address the New Hampshire Wildlife Federation's "Educational Workshop and Presidential Candidate Forum on the Federal Government Role in Protecting our Environment." The Vice President will address this forum on Saturday.
- **Speech at Iowa Citizen Action Network:** On Saturday, Administrator Browner will be the keynote speaker at the Citizen Action Network's Leadership Training Conference and Delegates Assembly in Des Moines. Her speech will focus on the State of the Union message and emphasize the need for continued bipartisan commitment to protect public health and the environment. The Administrator will be interviewed by an environmental reporter from the *Des Moines Register*.
- **Waste Isolation Pilot Plant:** The Waste Isolation Pilot Plant (WIPP) is the nation's only proposed repository for the radioactive waste from nuclear weapons production. If the WIPP is approved as a disposal site, it would become the only high level radioactive disposal facility in the country. The site, located 2,100 feet below the ground in the southeast corner of New Mexico is operated by the Department of Energy. By law, EPA is responsible for ensuring that WIPP is developed in a way that protects public health and the environment from harmful levels of radiation exposure. Next week, EPA plans to issue final regulations establishing the compliance criteria for determining whether WIPP is safe to begin receiving radioactive waste
- **ABC News Interview:** On Tuesday, Administrator Browner was interviewed by ABC News regarding the effect of Republican budget cuts on public health and the environment. The story is expected to air tomorrow or early next week.

DEPARTMENT OF EDUCATION

- **Texas Ed-Flex Approval:** On January 29, the Department will announce that Texas has been chosen the fifth of six States to participate in the Education Flexibility Partnership Demonstration Program established by Goals 2000. As an Ed-Flex State, Texas will have authority to grant waivers of the requirements of federal education programs.

- **White House Participation in Education Conferences:** Secretary Riley will join the President at the February 7th annual meeting of the National Association of Independent Colleges and Universities. The Department has also requested that the First Lady deliver the keynote address at the 78th annual meeting of the American Council on Education, to be held February 18-20 in San Diego. The First Lady is considering this proposal.
- **Chicago Speech:** Secretary Riley will speak at the February 22 meeting of the Illinois Education Association in Chicago.
- **State of American Education Address:** Secretary Riley will deliver the annual State of American Education address February 28 in St. Louis.

DEPARTMENT OF STATE

- **Bosnia Implementation:** Despite President Izetbegovic's assurances to Secretary Christopher, the Bosnians continue to drag their feet on the POW release mandated by the Dayton agreement. Embassy Sarajevo reports that incoming Prime Minister Muratovic pledged the government will agree to a prisoner release January 27. Meanwhile, John Shattuck has been in Bosnia to work on both the prisoner release and war crime issues. As a measure of his success, the Foreign Republic of Yugoslavia announced that the Tribunal would be allowed to open an office in Belgrade. He was also granted access to Srebrenica, where he inspected several suspected war crimes sites.
- **Russia:** Secretary Christopher will meet for the first time with new Russian foreign Minister Primakov in Helsinki February 10-11 and in Moscow in March.
- **Middle East Peace Process:** The U.S. continues to make progress in our efforts to broaden the Middle East Peace Process. Earlier this week in Washington, Tunisia and Israel agreed to establish Interest Sections in their respective capitals by April. Secretary Christopher met with the Israeli and Syrian negotiating teams now meeting at the Wye Plantation under our auspices. The U.S. has a real opportunity to move ahead on the Syrian-Israeli track, and Secretary Christopher will return to the region next month.
- **Chirac Visit:** French President Chirac will visit Washington and Chicago January 31 and February 2. During the February 1 State Visit, Secretary Christopher and President Chirac will discuss France's role in NATO and NATO expansion, the Middle East, and various bilateral issues. Chirac will speak to a business group in Chicago February 2.
- **Bosnia:** Secretary Christopher is making a round of calls to key committee chairmen and ranking Democrats to consult on obtaining \$200 million for reconstruction in FY 96 from DoD funds. On Wednesday, January 24, Appropriations Chairman Livingston told Ambassador Gallucci he supports U.S. humanitarian assistance for Bosnia but remains very

leery of any other financial commitments, particularly for reconstruction. Secretary Christopher will continue discussions with Livingston to reach some agreement.

DEPARTMENT OF DEFENSE

- **Haiti:** U.S. troop strength in Haiti is 2,131. Secretary Perry has approved the U.S. Atlantic Command plan to withdraw the security force from Haiti by Friday, March 15, and approximately 300 support personnel by Monday, April 15. Engineering deployments will continue as scheduled.
- **Cuba:** There are approximately 330 Cuban migrants remaining in Guantanamo. Approximately 516 migrants were paroled from the camps this week. The last migrants will depart on Wednesday, January 31. The Joint Task Force overseeing the Cuban migrant camps deactivated on Thursday, January 18. Security forces will begin to redeploy on Tuesday, February 6. Engineering and logistics forces will remain until the camps are disassembled and equipment retrograded (estimated early March). The Naval Base Commander is overseeing the remaining migrants.
- **Military Quality of Life:** Following up on your initiative to improve military quality of life, DoD is implementing approved adjustments to allocate some of the \$1.5 billion funding wedge that had been set aside to address quality of life deficiencies. Secretary Perry will be issuing a budget decision that will allocate about \$400 million to increase the basic allowance for quarters to reduce the out-of-pocket cost of housing for military personnel who live off-post. The budget decision will add about \$200 million in FY97 to increase the repair, maintenance, and construction of barracks. It also provides \$20 million in FY 1997 for initiatives to privatize housing, while retaining an additional \$840 million in FY 1998-2001 in a Family Housing Improvement Fund for future distribution.
- **Ready Reserve Force:** Secretary Perry is preparing a budget decision to increase the National Defense Sealift Fund (NDSF) by \$90 million in FY97 to finance the acquisition and refurbishment of additional roll-on/roll-off ships for the Ready Reserve Force. The directive also directs the Navy to prepare a legislative proposal for submission with the President's Budget to rescind a prohibition on the use of the NDSF to purchase foreign-built ships, a provision of the FY96 authorization bill that effectively suspends the program to achieve a fleet of 36 RRF Ro/Ros, as recommended in the Mobility Requirements Study Bottom-Up Review Update.
- **DoD Support for Flooded Areas:** DoD personnel continued to support emergency efforts in Pennsylvania, West Virginia and Maryland. On Monday, Pennsylvania had 410 National Guard personnel on state active duty performing flood-related missions; and West Virginia called 1,688 National Guard personnel. In addition, about 500 Army Reserve personnel from an engineer battalion and a transportation company support in West Virginia.

UNITED NATIONS

- **Security Council Presidency:** The U.S. takes over the Presidency of the Security Council from the UK on February 1. Ambassador Albright's duty's will require her to stay close to New York through her one month term. The Ambassador does plan to attend the inauguration of President-elect Preval of Haiti on February 7. During the month, the Council is expected to review and renew peacekeeping operations in Haiti and Angola.
- **Western Sahara:** The Council is expected to renew the mandate for the peacekeeping operation in the Western Sahara by January 31.
- **Iraq:** The Secretary-General is assembling a team for negotiations with Iraq on the possibility that UN economic sanctions will be eased to permit the sale of Iraqi oil to finance the purchase of food and other humanitarian supplies. United Nations officials have encouraged the Secretary General to discuss this issue with Iraq, but have also made it clear that any deal must be consistent with the Security Council resolution.
- **Other Peacekeeping Mandates:** The Council is also expected this week to review UN peacekeeping mandates in Liberia and Lebanon. Next week, Ambassador Albright will host a lunch with Leslie Stahl and the women PermReps to the United Nations. She will also meet with Gloria Steinem separately. The purpose of these meetings will be to discuss the advancement of women in the United Nations.

CENTRAL INTELLIGENCE AGENCY

- **Assessing Sensitive Human Reporting:** At Director Deutch's direction, the National Intelligence Council (NIC) is undertaking an aggressive review of intelligence reporting from our most sensitive human sources. He initiative after the Ames Damage Assessment report flagged the fact that many of our most sensitive Soviet sources had been controlled by Moscow. Over the past six weeks the NIC has lead an intense and focused review on al the sensitive reporting we have on North Korea--one of your top priority intelligence targets.

GENERAL SERVICES ADMINISTRATION

- **Administrator Johnson Resigns:** Administrator Rodger Johnson announced his resignation effective March 1, 1996. Administrator Johnson met with press to make his public announcement. He will hold a town hall meeting with GSA employees next week.
- **Progress in Upgrading Security of Federal Facilities:** In accordance with your June 28, 1995 Memorandum regarding upgrading security at Federal facilities, GSA announced continued progress in implementing recommendations identified in the Department of Justice

report entitled "Vulnerability Assessment of Federal Facilities." Specifically, GSA has identified security requirements for "higher risk" level IV facilities and is reviewing remaining level I-III locations under its change and control through the Building Security Committee process.

- **Draft Regulations Prohibiting Sale of Tobacco in Vending Machines to be Published:** GSA has drafted, and OMB has approved, regulations to be published in the Federal register that prohibit the sale of tobacco products in vending machines and the distribution of free samples of tobacco products in Government-owned and leased space under the custody and control of GSA. GSA has given notice of the requirements to client agencies, tenants, vendors, agency heads and to the State Licensing Agencies and the Department of Education in regards to the Randolph-Sheppard Act. GSA intends to have tobacco-product vending machines removed from Government property prior to February 17, 1996, which is the expiration date for the 90-day reporting requirement.

OFFICE OF PERSONAL AND MANAGEMENT

- **State of the Union Amplification:** Director Jim King issued an op-ed piece to 20 newspapers following-up on your State of the Union announcement that the federal workforce is at its lowest number in 30 years. OPM provided additional statistics, and pointed out that, by three years of tough management, the President had kept his promise of a smaller, more efficient government. The piece went to a White House list of key papers in key states.
- **Hatch Act Reform Hearing:** OPM officials will be asked to testify at a Senate Governmental Affairs Committee hearing on a possible revision to the Hatch Act reforms of 1993 that would amend the ban on political recommendations for civil service personnel actions.

cc: The Vice President
Leon Panetta
Evelyn Lieberman
George Stephanopoulos
Alexis Herman
Carol Rasco
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Donald Baer
Ron Klain

Shalala brings Clinton's message to Union

Health and Human Services secretary stresses bipartisanship during campus visit

By Rick Karlin
Staff Writer

SCHENECTADY — Walking briskly across a rain-soaked Union College campus, U.S. Health and Human Services Secretary Donna Shalala was barely on schedule for her 4 p.m. flight back to Washington. She had just spoken with a group of students in the school's ornate Nott Memorial building and had lingered to discuss current affairs with a handful of people.

After a few minutes of nervous nudging by her aides, Shalala headed for the dark blue sedan waiting to whisk her back to Albany Airport.

"They stayed," Shalala, 54, said with a quick shrug. "They kept asking questions. It could have gone on for hours."

"The fact that students hung out

afterward was a good sign," she added.

Shalala brought President Bill Clinton's call for bipartisan cooperation to Union College on Wednesday, as part of a White House effort to build upon Tuesday's State of the Union address. During the five-hour visit, Shalala repeatedly stressed the need for compromise and cooperation between the Clinton Administration and Republican-controlled Congress.

The underlying theme of Clinton's speech, she said, was, "Let's find common ground. This country can not be ruled by partisanship."

She repeated this mantra time and again — with students, college officials, and while telephoning editorial writers at newspapers in Florida and Arizona, offering to answer any questions about Clinton's speech to the nation Tuesday night.

For Clinton Cabinet officials, the day after a State of the Union address is a time for what a Shalala press aide described as "amplification" of the President's message.

"By tradition, we get on an airplane and go," Shalala said of how Cabinet officials fan out across the nation following the annual address.

On Wednesday, Labor Secretary Robert Reich was in St. Louis while Education Secretary Richard Riley went to Minneapolis, according to a Shalala aide. Other staffers worked the phones from the White House.

While Shalala stressed that her Schenectady visit was not a campaign trip, party politics inevitably cropped up during an interview with the *Times Union* and during talks with Union students.

Shalala did little to conceal the fact that battles between Clinton and congressional Republicans have affected the operations of her \$332 billion, 60,000-employee agency, which oversees health, welfare, and food and drug safety issues.

"I think what we have found was that it's hard to govern with this level of partisanship," Shalala said during the drive to Union College.

For instance, any plans to look at potential appointees for the post of U.S. Surgeon General have been put on the back burner now that Republican lawmakers are trying to eliminate the office from the budget. "I've been filling the role of Surgeon General," she said of the post which has been vacant since Joycelyn Elders left under pressure over a year ago.

Throughout the day — during phone calls and before students — Shalala echoed Clinton's theme of compromise. And she stressed her belief that Clinton doesn't fit labels like liberal or conservative. "He is in the center. He was born in the center. He thinks in the center," she said of Clinton during a talk with political science students.

Union students, who prepared for the event by watching Clinton's speech, were well aware of the fierce partisanship gripping Washington.

"He's scared of the freshman Republicans," David Pinkowitz, 18, a freshman from Newton, Mass., said of the President.

"Clinton is trying to move to the right," added Angelo Pezuto, 19, a freshman from Rotterdam and self-described "hard-core Republican."

Students were enthusiastic about meeting Shalala, added political science professor Terry Weiner. "The want to be in the same room with people who make decisions," he said. Shalala came to Schenectady thanks to a chance encounter last year with Union College President Roger Hull and his wife, Ann Dyson, a pediatrician. The couple was at a White House dinner honoring children hospitals. Hull was the head of Beloit College in Wisconsin at the same time Shalala was chancellor of the University of Wisconsin.

During the dinner, Hull and Dyson asked Shalala if she'd come to Union and she said yes. This was actually Shalala's second trip to New York in less than a year. Last May she spoke at her alma mater, Syracuse University, and then met privately with Gov. George Pataki to discuss the governor's plans to slow the growth of Medicaid.

As Health and Human Services Secretary, Shalala is responsible for the federal portion of this vast program. "I warned him about cuts that were too deep," Shalala said of what she told Pataki. She described Pataki as receptive, unlike her description of freshman congressional Republicans dealing with Clinton.

Sheltering Shalala



Times Union/STEVE JACOBS

Union College President Roger Hull escorts U.S. Health and Human Services Secretary Donna Shalala around the Union campus, where Shalala spoke Wednesday. Story on B-4.

JUN 25 1986

RECEIVED

Daley Backs Clinton's Bid Vs. Public Housing Crime

BY BASIL TALBOTT
SUN-TIMES WASHINGTON BUREAU

29

WASHINGTON—Mayor Daley endorsed President Clinton's "one strike and you are out" of public housing crime policy Wednesday, but urged some cautions in how it is applied.

Although some Illinois members of Congress were edgy about the president's approach, mayors attending the U.S. Conference of Mayors rushed to support Clinton. A couple of them went further than Daley.

Clinton challenged local housing authorities and tenant groups in

his State of the Union address Tuesday to make "the rule for residents who commit crimes and peddle drugs ... one strike and you are out."

"Peddling drugs is a major problem," Daley said in supporting the "principle" of the president's initiative. "We have to have a policy because people want it. Gang-bangers and drug dealers have taken over."

But Daley was more cautious than Boston Mayor Thomas Menino, who has proposed Massachusetts state legislation to permit evictions from public housing upon arrest or execution of a search warrant where illegal drugs or

weapons are found. Daley questioned whether evictions should take place without a conviction and whether entire families should be kicked out for the offense of a minor member.

Rep. Jesse Jackson Jr. (D-Chicago) wasn't enthusiastic, but he said, "I could live with it." Rep. Cardiss Collins (D-Chicago) was skeptical but said she awaits a specific proposal. Even more skeptical were Sen. Paul Simon (D-Makanda) and Rep. Sidney R. Yates (D-Chicago).

"I'm not enthusiastic about it," Yates said. "Someone could plant a drug, or there could be other

reasons for having a drug." Simon denounced drug peddling but said, "I don't want to see very arbitrary decisions made by local police who may try to shake some people down."

Evictions for drug and weapons violations appear to have been more frequent in Boston than in Chicago. The Boston Public Housing Authority said 50 of the authority's 12,000 families were evicted last year for illegal drugs or illegal weapons.

Conceding that the Chicago Housing Authority has been behind the curve, Executive Director Joseph Shuldiner estimated that only 15 or 20 of the CHA's 32,000

households were evicted last year in connection with illegal drugs or weapons.

To remedy that, the CHA has proposed a new lease that Shuldiner speculated would improve drug evictions. He also has approached Illinois state lawmakers to introduce legislation to target firearms in CHA units.

Legislation to toughen admission rules has passed the U.S. Senate and is expected to come up for a House vote in March. Also, the Housing and Urban Development Department wants \$2.5 million to finance a federal-local gang infiltration program and \$1 million for witness protection.

121

Raleigh News & Observer 4/23/96

Babbitt to bring environmental message to N.C.

The Interior secretary wants to combat what he views as a radical Republican assault on the environment.

By JAMES ROSEN
STAFF WRITER

N40
1-23-96

WASHINGTON — For the last year, Interior Secretary Bruce Babbitt has turned his Cabinet post into a kind of conservation road show, roving the country to tout environmental success stories and protest the Republican anti-regulatory wave in Congress.

Babbitt, one of the most traveled Interior chiefs ever, will visit Durham on Wednesday to pay homage to two Research Triangle Institute scientists who developed an important cancer drug from a threatened evergreen tree in the Pacific Northwest.

Babbitt is scheduled to meet with Monroe Wall and Mansuet Wand, the two scientists, at the Duke University Medical Center, along with Dr. Michael Colvin, head of the Duke Comprehensive Cancer Center, Dr. Philip Rosoff,

head of Duke's treatment of blood diseases and children's cancer, and Norman Christensen Jr., dean of its School of Environment.

A former Arizona governor and presidential candidate (in 1988), Babbitt has used a novel strategy to combat congressional attempts to weaken environmental laws. Instead of staying in Washington and engaging in debates on Capitol Hill, he's made dozens of visits to places around the country that he thinks show the importance of those laws.

Babbitt reels off examples of what he says are a broad GOP attack on the environment: Efforts "to gut" the Clean Water Act, rewrite the Endangered Species Act, lift logging restrictions, open the Arctic Wildlife Refuge in Alaska and set up a panel to consider closing some national parks.

"It's so radical that in my judgment if the American people understand what's going on, they'll put a stop to it," Babbitt said Monday in an interview.

Before coming to the Triangle, Babbitt will go bass fishing on Lake Wylie near Charlotte to show the robust recovery of the striped bass from the edge of extinction.

At Duke Medical, Babbitt will also meet a young cancer patient who has been successfully treated with taxol, the drug Wall and Wani discovered two decades ago by using bark from the Pacific yew, a slow-growing tree threatened by Northwest loggers.

The Food and Drug Administration approved taxol to treat ovarian cancer in 1992, and physicians have since used it to combat other forms of cancer as well, especially breast cancer. Bristol-Myers Squibb, the Connecticut-based pharmaceutical giant, is its main producer.

"I think the main point is that we should be very careful with endangered species," Wall said of Babbitt's visit. "I personally like what he's doing, and so do most scientists."

Some Republican congressmen say Babbitt and environmentalists have exaggerated the medical payoffs of the Endangered Species Act in order to rally public support.

Rosoff, though, said nature provides the building blocks of many medicines used in cancer treatment, medicines such as vincristine and etoposide.

"Many of the drugs that have been isolat-

ed from natural sources have proven to be vital in treatment of cancer in children and adults," Rosoff said.

A quarter of all prescription medicines are from plant-based materials, Babbitt said, though he acknowledged that the survival of those plants is not threatened.

"I wouldn't claim that the majority are endangered species," he said. "The point is that some of them are. The point is that if we see a species disappear, that's an opportunity."

Babbitt said he believes that environmental laws are supported by many Americans partly because of their religious faith.

"Creation is a reflection of divinity, and we have an obligation to protect that creation," Babbitt said.

On previous visits to North Carolina, Babbitt has lauded efforts to protect habitats the red-cockaded woodpecker at Camp 1 and Fort Bragg. He also uses a frog that protects the woodpecker in the B. hills region around Fayetteville, called "Harbor," as a national model for aiding a species.

B Section
THE PROVIDENCE
JOURNAL-BULLETIN
FRIDAY
JANUARY 19, 1996 JPMC

Rhode Island

City & Town Report
Editorial Page

Secy. Brown leads charge against VA budget cuts

By ELLIOT KRIEGER
Journal-Bulletin Staff Writer

He came from Washington to issue a call to arms, and in two appearances before veterans' groups yesterday Jesse Brown, the secretary of veterans affairs, rallied the troops for the battle of the budget.

Noting that Congress wants to cut President Clinton's budget for the Veterans Affairs Department by \$915 million, Brown said: "That is shameful."

Those were fighting words to the veterans — some 250 who packed the Eugene T. Lefebvre VFW Post, in Central Falls, yesterday morning and 150 who heard Brown speak at St. Joseph's Veterans Association Hall, in Woonsocket, yesterday afternoon. They rose to their feet and applauded to show their support.

Brown, who has provoked the ire of Republican leaders in Congress by refusing to trim his department's budget request, said that if the Republican budget is approved, by the year 2002 the Veterans Administration would have to fire 61,000 health care workers, close 41 of its 173 hospitals and deny care to more than 1 million veterans.

He said Congress is considering "means-testing for veterans benefits," that is, offering benefits only to veterans who cannot afford to pay for health care.

Turn to VETERANS, Page B4



BROWN

Veterans

Continued from Page B-1

Under current law, veterans receive health care for service-related injuries or illnesses regardless of their ability to pay.

"Our veterans are not welfare recipients," Brown said. "They get what they receive because they earned it on the battlefields around the world."

In an interview between speeches, Brown said that he expects Congress to trim his department's budget. "The question is not whether there will be cutbacks," he said, "The question at this point is how many."

He said his department is considering some changes to make its health care programs more efficient, such as providing more outpatient services. "We've got to do the same thing that the private sector is doing," he said. "We've got to get rid of the idea that anytime a veteran comes to a hospital we've got to hospitalize him. We need to expand our outpatient care, and we need to have more community-based clinics."

During the last three years, Brown has been able to persuade President Clinton to resist the Office of Management and Budget's proposals to cut the VA budget.

"I went in to him on each and every budget that came out of the OMB," Brown said. "I appealed to him, and I always walked away with more than I walked in with."

But the Republican-controlled Congress has been firm about cutting the VA budget, which has led to harsh words between Brown and Sen. Christopher S. "Kit" Bond, R-Missouri, chairman of the Senate Appropriations Committee.

Last month, the President vetoed the bill from Congress that would have cut nearly all of his proposed \$1 billion increase in the VA budget.

If Brown's visit to Rhode Island, hosted by Democratic Representatives Patrick J. Kennedy and Jack Reed, is any indication, Brown is not

"Maybe to certain members of Congress the problem has to do with generating enough savings in order to pay for their tax reductions for the wealthy, and also to pay for their balanced budget," Brown said in an interview. "I don't believe, quite frankly, that the budget should be balanced on the backs of the veterans."

Brown, 51, of Chicago, served with the Marine Corps in Vietnam for four months, when he was 18. He was shot in the right arm, and spent a year recuperating in a VA hospital. He said that the experience "changed my life," a life that has been devoted to the cause of helping his fellow disabled veterans.

He joined the Clinton Cabinet at the outset of the administration.

Although Brown is not running for any office, he sounded at times like a politician yesterday as he deftly handled a string of requests from veterans in Central Falls.

One man, on crutches, told Brown that he had put in a medical claim to the VA eight months ago but had received no response. "I wonder if there is a way to expedite that," he asked.

"Yes, there is," Brown said. He turned to one of the VA workers who had come to the post for the event. "Will you expedite his claim?" Brown asked.

"I sure will!"

Another battle won.

MEMORANDUM
OF CALL

Previous editions usable

TO:

Carol

☐ YOU WERE CALLED BY-

☐ YOU WERE VISITED BY-

Pam

OF (Organization)

1st Lady's Of

☒ PLEASE PHONE ►

☐ FTS

☐ AUTOVON

6 23 69

☐ WILL CALL AGAIN

☐ IS WAITING TO SEE YOU

☐ RETURNED YOUR CALL

☐ WISHES AN APPOINTMENT

MESSAGE

copy of a

Nobel Prize
Shamir's Name's
Speech upon
receiving

RECEIVED BY

J

DATE

2-13

TIME

5 pm

50363-111 NSN 7540-00-634-4018
U.S. G.P.O.:1994-300-891/00003

OPTIONAL FORM 363 (Rev. 1-94)
Prescribed by GSA

DATE: 1-29

TO: Leon
Carl
Bruce Reed
Rehm
M. H.
FROM: Staff Secretary

George
Ken Apfel

Fy1. How do you
want to handle?





STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR
CN-001
TRENTON
08625
(609) 292-6000

CHRISTINE TODD WHITMAN
GOVERNOR

January 29, 1996

96 JAN 29 P 2: 45

The President
The White House
Washington, DC 20500

Dear Mr. President:

Today I present my Budget Message to the New Jersey Legislature and the citizens of the Garden State. In this message, I focus on the many tasks facing New Jersey as we strive for greater economic security and prosperity for all New Jerseyans.

For too long, too many of our citizens have not been able to participate in our State's prosperity because they were mired in the unforgiving swamp of the current welfare system. Today, I propose a sweeping new welfare reform initiative for New Jersey. It replaces a failed entitlement system with a temporary cash assistance program featuring time limited benefits, child support enforcement, strong work requirements, and necessary transitional supports such as child care and health care coverage. The name of our new program emphasizes our new approach: Work First New Jersey.

Our proposal recognizes that true welfare reform requires the efforts of every citizen and every segment of the community. Our efforts not only challenge parents to be responsible for the support of their children, it will challenge business and industry to create jobs and keep people working, challenge our schools to educate our children well and keep them in school; challenge the transportation industry to provide available and accessible mobility to work and training; and, challenge every level of government to make public bureaucracies more efficient and streamlined.

We have designed our program in anticipation of federal block grants, which would afford us the necessary flexibility and opportunity to fix welfare. That may not happen due to the Washington stalemate.

In your State of the Union message you spoke of welfare reform negotiations with the Congress saying "We agree on time limits, tough work requirements, and the toughest possible child support enforcement. But we must also provide child care so mothers can do to work without worrying about their children."

JAN-29-96 13:02 FROM: POLICY & PLANNING ID: PAGE 3/3

The President
January 29, 1996
Page 2

New Jersey's new program has all of those features. Yet it cannot go forward without the flexibility inherent in federal welfare reform legislation. You said you would change welfare as we know it, yet you vetoed the legislation that would have done just that. I strongly urge you to reach consensus with the Congress and give the states the welfare reform package they have been seeking for so long

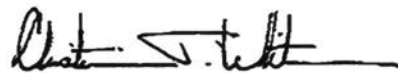
I know you—as a former Governor—recognize the weight of this issue for the states. Your signature on this legislation would fulfill your pledge to end the unworkable welfare system.

As I said, however, I am announcing my Work First program today. In the absence of block grant legislation, we have no choice but to move forward with requests for substantial waivers from the Department of Health and Human Services. Therefore, I have directed my Commissioner of Human Services, William Waldman, to develop and seek special waivers in order to implement this program.

Last year, your administration made a personal commitment to cut through red tape and speed up the waiver process. I am now asking you to honor that commitment.

Our direction is clear. The welfare system must be changed. As you said in your speech, "For too long, our welfare system has undermined the values of family and work, instead of supporting them." Work First New Jersey demonstrates that we can develop new responsible approaches to address welfare dependency while truly helping needy adults and families become economically self-sufficient. If waivers are now our only recourse to implement such a program, then we must prevail upon you to make that system work.

Yours sincerely,



Christine Todd Whitman
Governor

DATE: 1-25

TO: ~~Leon~~ ~~Harold~~ ~~Dang~~ ~~Martha H.~~ ~~Alice~~

FROM: Staff Secretary

This came in over the
weekend. How do you
want to handle?

TRQ

cc: Martha Foley

ten dot
Hans!
delivered
ASAP
T.

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

STEPHEN MERRILL
GOVERNOR



January 26, 1996

The Honorable William J. Clinton
1600 Pennsylvania Avenue
Washington, DC 20050

Dear President Clinton:

I am officially requesting that you immediately release the additional \$190 million contained in the \$1 billion advanced appropriation for the Low Income Home Energy Assistance Program (LIHEAP).

As you know, New Hampshire sends more money to Washington per capita than any other state and receives less in return. The initial release of funds has helped to meet the winter needs of some of the less fortunate of New Hampshire's population but will soon be exhausted. Through the end of only the fifth week of the program, all but \$283 thousand of the \$6.3 million received by New Hampshire has already been committed. At \$1 billion, this year's program is still facing a cut of \$300 million from the level appropriated only a year ago. In other words, it is still meeting its responsibility toward reducing the federal budget deficit. With two thirds of the season still before us, it is obvious that there will not be enough money for all who require help to get through our harsh winter.

At this time, I am reserving the right to request the release of the Contingency funds for a later date should they become necessary. It is my hope that, due to the improved economic conditions in the State of New Hampshire, the regular funds can be stretched to meet the immediate needs of our low income citizens.

Very truly yours,

A handwritten signature in cursive script that reads "Steve Merrill".

Stephen Merrill
Governor

SM/klc

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 1 29

TO:

George

FROM: Staff Secretary

Any view on
this? It's not for
him to attend - just
to be an honorary
chairman. — [initials]

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: January 25, 1996

Date of Request: 1/04/96
Request for: POTUS/FLOTUS
Type of Request: Honorary Patrons
Requestor Name: Ms. Rosann Wisman
Title: President
Organization: Planned Parenthood of Metropolitan
Washington, D.C.
1108 16th Street, N.W.
Washington, D.C. 20036
Contact Tel. #: 202/347-8500
Event Date: 5/21/96
Event Description: 60th Anniversary Dinner
Notes: The anniversary theme is "Celebrate and
Recommit." Katherine Graham will serve as
Honorary Chair, and Joan and David Maxwell
will serve will co-chair the event.

Recommendations:

MW _____ TS _____ EL _____

Please return to Room 457

George

PLANNED PARENTHOOD®

OF METROPOLITAN WASHINGTON DC, INC.

President
Rosann Wisman

Board Chair
Anita L. Allen

January 4, 1996

The President and Mrs. Clinton
The White House
Washington, DC 20500

Dear Mr. President and Mrs. Clinton:

I am writing to invite you to join Planned Parenthood of Metropolitan Washington as Honorary Patrons of our 60th Anniversary Dinner to be held on May 21, 1996. Katharine Graham is serving as Honorary Chair, and Joan and David Maxwell are Co-Chairs of this auspicious event. For sixty years PPMW has been helping women and their families plan and space their pregnancies in order to have healthy and wanted children. Our anniversary theme "*Celebrate and Recommit*" reflects that important mission:

... to *Celebrate* PPMW's 60 years of reproductive health services, pro-choice advocacy, and family planning education and training....

... to *Recommit* our resources and energies to providing quality, accessible, affordable reproductive health care and protecting freedom of choice for all residents of metropolitan Washington.

Planned Parenthood's challenge is to reduce the barriers of poverty, language, cultural differences, and lack of accurate information for our most vulnerable patients. As Honorary Patrons you will be commemorating PPMW's proud history and give us the determination to meet the challenge of providing the neediest and hardest-to-reach individuals in our community with the information and services they need to make responsible decisions about birth control and parenthood.

Proceeds from the Anniversary Dinner will ensure the continuum of reproductive health and family planning services which we have provided to the metropolitan Washington community since 1936.

Thank you for your kind consideration of my request to be Honorary Patrons of Planned Parenthood of Metropolitan Washington's 60th Anniversary Dinner. I look forward to your response.

Sincerely,



Rosann Wisman
President

cc: Katharine Graham, Honorary Chair, 60th Anniversary Dinner
David and Joan Maxwell, Co-Chairs 60th Anniversary Dinner



THE WHITE HOUSE

WASHINGTON

1-26-96

Dear Ann -

Thanks for your letter,
your insight, and as always,
your support.

I hope the State of the Union
helped people to understand what's
at stake in the budget battle -

Come see us - and
fill us out this "mon, as you
advise, from now on -

Best -

Bill Clinton

✓ ✓
Chas / K O'Keefe
second got her
involved -

1-28-96

→ Kevin O'Keefe

December 28, 1995

Avis LaVelle
5337 So. Drexel Avenue
Chicago, IL 60615

Dear President Clinton,

I hope this letter reaches you, Hillary and Chelsea in good health and high spirits. I hope also that your holidays were richly blessed with all that you desired and most of all, with love.

I promised you as I left the administration that I would report back from "America's Heartland" once I got a feel for it. I hope you will forgive the fact that this letter is long overdue. I thought often of writing to you but I found myself completely overwhelmed with moving back to Chicago, starting a new job, hunting for a new house and settling into a homelife with my fiancé (his name is Osekre--I met him in Washington D.C. We plan to marry next year.)

The day-to-day concerns of life in the Midwest are so very different than those of life "inside the beltway". I am truly amazed at how little real connection there is between the average person and the activities of Congress. News from Washington D.C. is often regarded in the same way as international news, slightly interesting but thought to have little real impact on what we have to face when we get up in the morning.

I find that a little unnerving for two reasons. As hard as we worked in your administration to create policy that positively impacts the quality of life for Americans, I am dismayed to realize how little of that contribution is recognized or appreciated. The other reason this is distressing is because the general public does not seem to realize how dramatically life will change under the GOP's blueprint for America.. There are so many elements of American life that the GOP is set on dismantling and it seems like very few people are paying any attention to it.

The standoff between you and Congress over the budget is being largely dismissed as "more squabbling in Washington" even though important domestic policy issues are at stake. It only seems real for the federal workers here who have been furloughed and for many of them, there's little to worry about when you get time off with pay.

I think you would be well served by doing some event in the Midwest to dramatize what's at stake in this budget battle. A short trip with some emphasis on Medicaid as a middle class/elder care issue would do wonders to put some real-life focus on just one

aspect of what this dispute is all about. That or maybe something to focus on how the GOP's drive to deregulate everything is going to leave us to fend for ourselves against industries that hardly seem to care what happens to our air, water, or basis services.

Ironically, what has touched more lives here than the budget battle is your decision to send troops to Bosnia. This foreign policy issue has vast political ramifications because there are so many young men and women from the greater Chicago area who were called up to serve, leaving their loved ones right before the holidays.

I pray that you have made the decision and that we can get out early with little loss of life. No one can dismiss the terrible atrocities that were being committed in Bosnia and I think many people recognize our obligation to help those countries in need but few families are magnanimous enough to be willing to do that at cost of losing one of their own sons or daughters. Increasingly, we are wrestling with feelings of isolationism because we feel our problems here at home deserve our attention. I know your heart was heavily burdened with this decision and I am praying that God will guide your actions as we go forward from this point.

✓ On a lighter note,. My new job with Waste Management Inc. is fascinating and has drawn me into a wealth of new issues that I had little contact with before. I am spearheading a citywide recycling program for Mayor Daley and WMI's Phil Rooney(both of whom say they had a great time with you on your Ireland trip.) It's a good job and a real challenge that keeps me as busy as working for you.

However, I am quite surprised to find that I do miss Washington and having a real insight on what's going on behind what I read in the newspapers. My work with your campaign and the administration gave me the opportunity to meet many wonderful people and to work on some really meaningful policies. I am very grateful to you for giving me so many great memories. Please invite me back to the White House from time to time if there are any appropriate occasions. Whether or not that's possible, I will drop you a line from time-to-time just to give you a reality check from the Midwest. Please feel free to call on me at anytime if there's something I can do for you.

I have promised Deborah DeLee and Rick Jasculca that I would work with them in a variety of ways to help make sure the Democratic convention is the best it can be. I want you to have a great time in my hometown and for it to be a convention to remember.

I will keep you in my prayers,

God Bless,


Avis LaVelle



MCI Communications
Corporation

1801 Pennsylvania Avenue, NW
Washington, DC 20006

NO UP
Fy- 1-28-96
Thej n will
Bz

THE PRESIDENT HAS SEEN
1-27-96

News

Contact:

Robert Stewart
MCI
1-800-644-NEWS
newsMCI@mcimail.com

Ray Allieri, Vice President
MCI Investor Relations
202-887-2068

Peter Rosenthal/Marcia Horowitz
Rubenstein Associates
212-843-8000

For Release:

FOR IMMEDIATE RELEASE

**MCI AND NEWS CORP. TO DELIVER SATELLITE
INFORMATION AND ENTERTAINMENT SERVICES**

WASHINGTON, DC — January 25, 1996 — MCI, one of the world's largest communications companies, and News Corporation, the world's premier media company, will team up to offer a unique package of information and entertainment services to businesses and consumers across the nation, the companies said today. The new venture will use MCI's newly-won direct broadcast satellite (DBS) spectrum.

As part of a strategic alliance announced last May, MCI and News Corp. said that they will create a new, jointly-owned company to enter the burgeoning DBS video, audio and data market, which is expected to generate industry-wide revenues of up to \$7 billion by the year 2000. Each company will own 50 percent of the new venture.

Today's announcement follows MCI's successful bid in the Federal Communications Commission auction for the last remaining DBS satellite slot that provides coverage of all fifty states, plus Puerto Rico. MCI submitted a winning bid of \$682 million for the slot, located at 110-degrees West Longitude.

"This new venture is a perfect marriage of MCI's sales and marketing skills, customer base and billing capabilities with News Corp.'s expertise in entertainment and information programming," said Bert C. Roberts, MCI's chairman and chief executive officer.

"We're especially excited about our ability to create unique new information products for our customers, a strategy that will clearly put us out in front of our competitors," Roberts said.

"This new venture demonstrates the strength of our strategic relationship with MCI," said Rupert Murdoch, chairman and CEO of News Corp. "Working with MCI, News Corp. will leverage its leadership in the worldwide entertainment and information business to bring exciting new video and information services to American consumers."

MCI brings to the partnership its base of nearly 20 million customers, its intelligent communications network and its expertise in data base management, direct marketing, sales, billing and customer service.

News Corp. is the world's leading satellite delivery company, offering satellite services in the United Kingdom, Asia and Latin America. Its satellite "footprint" covers two-thirds of the world's population. With interests in the Fox Television Network, the 20th Century Fox film studio and newspapers and broadcast outlets throughout the world, News Corp. produces and develops a wide variety of video and text-based information.

New, high-powered satellite technology allows subscribers to receive high-quality video, audio and data services using a satellite dish with a diameter of only 18 inches. The MCI-News Corp. satellite footprint will reach virtually every household from Maine to Hawaii with a mix of unique entertainment and information services.

Because of the advanced digital satellite technology, Roberts said, the MCI-News Corp. team can develop a broad range of digitized product offerings for both TVs and PCs, that will appeal to diverse market segments, consumers and business.

"High-powered satellite technology will be integrated into MCI's intelligent network," Roberts said. "It will allow us to expand and enhance our core long distance business by offering an enriched bundle of services to customers. And it is a perfect fit with our strategy of moving into contiguous markets and integrating digitized content with delivery."

High-powered satellites can deliver massive amounts of digitized information, including software, databases, medical images, books and music, to geographically dispersed terminals, including PCs. This capability becomes particularly important as data technology moves toward network-centric applications.

In addition to receiving high-quality digital television and other entertainment programming, consumers will use the new satellite technology for distance learning and to access libraries, museums and other multi-media educational and cultural resources.

Businesses will use digital satellite services to deliver software, corporate information, training programs and other value-added content directly to customers or employees.

MCI will leverage its relationship with its business customers to promote new satellite applications. Currently, MCI serves virtually all of the Fortune 500 corporations and has a large sales and customer service force deployed in the business market.

News Corp. is one of the world's major players in the satellite broadcasting business. It holds a 40 percent interest in British Sky Broadcasting Group (BSkyB), which operates the leading pay television broadcasting service in the United Kingdom and the Republic of Ireland. BSkyB has five million subscribers.

And News Corp.'s wholly-owned STAR TV broadcasts video and radio programming via satellite over a "footprint" that includes Japan, Korea, China, India and 50 other countries. STAR TV reaches 54 million households across Asia, giving the service a potential audience of 220 million viewers.

In addition, News Corp. is one of four principals in a joint venture formed in November to deliver satellite services in Latin America.

MCI Communications Corp., headquartered in Washington, D.C., is one of the world's largest and fastest-growing diversified communications companies. With annual revenue of more than \$13 billion, MCI offers consumers and businesses a broad portfolio of services including long distance, wireless, local access, paging, Internet software and access, information services, outsourcing, business software, advanced global telecommunications services, and music distribution and merchandising.

The News Corporation Limited is one of the world's largest media companies. News Corp.'s diversified operations include the production and distribution of motion pictures (through the 20th Century Fox film studio) and of television programming; broadcast television (through the Fox network in the United States); cable and satellite television; computer on-line services; and the publication of newspapers, magazines, books and promotional, free-standing inserts.

#

Chairmen Bert Roberts and Rupert Murdoch will hold a live two-way video press conference TODAY, Thursday, January 25 at 5:00 p.m. (EST). Following is the technical information:

KU Band SBS5; Transponder 12 (Roberts), 13 (Murdoch)

Audio Call-In:

Domestic: 800-593-9944, password DBS

International: 319-369-5801, password DBS

Replay: 80909-839-8790, no password

WHITE HOUSE
WASHINGTON

cc: Donald
Donn
1-28-96

I D E N T

January 25, 1996

Franca Mulligan
2 Peach Hill Road
Darien, Connecticut 06820

Dear Franca:

Hillary and I were deeply saddened by Gerry's death, and our hearts go out to you at this difficult time.

Gerry truly made a difference during his lifetime. He was a brilliant innovator in the world of jazz, advancing and expanding his craft and leaving a powerful legacy that musicians and jazz lovers will long admire and study. As you know, he was an inspiration to me from the time I was a young man -- I will always treasure our visit together last month at the Kennedy Center Honors.

Our thoughts and prayers are with you.

Sincerely,

Bill Clinton

no one ever played
that horn like he did,
and no one ever will —

was sent
an and the
a rally
the
may have
nd her

your

id.