THE PRESIDENT HAS SEEN
11-20-96

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

California Gasoline Glut Drives Prices Down. In California, retail gasoline prices have dropped over 37 cents per gallon since mid-May. Prices in California (now $1.163 per gallon) are actually lower than they were at this time last year. The glut of gasoline in California has led to an unusual situation: California refiners are shipping gasoline to other markets, primarily Florida, where prices are higher.

Fed Leaves Rates Unchanged. The Federal Reserve took no action to raise interest rates at the Federal Open Market Committee meeting on Wednesday, amid signs that economic growth has slowed and inflation remains low. The action was consistent with market expectations, and many analysts predict the Fed will leave the target rate unchanged in their December meeting and possibly well into next year. Long-term interest rates have been falling steadily over the last two months, achieving a total drop of over 60 basis points from their September peak. This indicates that the market has revised down its interest rate predictions over a long time horizon. Previously, the market had been gearing up for an anticipated Fed tightening, but such fears have been allayed by economic statistics that signal the economy is slowing on its own without requiring Fed interest rate hikes.

Mixed Results in Michigan's Welfare-to-Work Program. Michigan's welfare reform experiment "Project Zero" insists that no welfare recipient be allowed to stay home and not work. The program is pulling out all stops to move welfare recipients into jobs, paying for job-related education, child care, and bus tickets to get to work, among other things. But the results in the six pilot programs have been mixed. When the experiment started last June in Detroit's inner-city Tireman neighborhood, about 24 percent of welfare recipients had some kind of job. Despite the program's intensive efforts, by October, the number had risen to only 32 percent. Initially, threatened benefit reductions for failure to take part in orientation and job training programs could entice only half of all recipients to participate at that site. Even when faced with the possibility of losing their checks, 15 percent still declined to participate. Rural Alpena County enjoyed greater success; in October, 72 percent of welfare recipients had become employed.

CR/Bruce
fyi
B

CHILD WELFARE

Child Welfare Chat Sessions -- On Oct. 31, we completed a series of seven small two-hour discussion sessions in my office over the past four months. We talked with a total of 35 child welfare experts from around the country. In addition, in October we visited the National Council of Juvenile and Family Court Judges in Reno, Nevada during the fall training session, sitting in on classes and meeting with faculty and participants. We will now begin working to propose action steps in this field.

CRIME AND DRUGS

cc: Rahm

Medical Marijuana -- DPC staff is working with the ONDCP, Department of Justice, and Department of Education to begin to coordinate an Administration response to the medical marijuana initiatives passed last week in Arizona and California. The ballot initiatives passed in both states (Propositions 200 and 215, respectively) would legalize marijuana use for a variety of medical conditions. Both ballot initiatives are loosely worded and would make enforcement of laws prohibiting unauthorized marijuana use difficult. It remains unclear whether federal laws will preempt the new state laws.

President's Remarks to the IACP -- Because you were unable to attend the annual conference of the International Association of Chiefs of Police (IACP) in Phoenix on October 29, 1996, we provided them with your taped remarks. The video was shown before 2,000 police chiefs at their general assembly. IACP was very grateful and your remarks were well received.

Drug Testing-Driver's Licenses -- DPC staff is providing guidance to ONDCP, DOT and other relevant agencies on their response to your October 19, 1996 directive -- "Reducing Teenage Driving under the Influence of Illicit Drugs." The directive instructs agencies to report back by January 17, 1997.

ENERGY AND ENVIRONMENT

Human Radiation Experiments -- This week, the Department of Energy plans to announce it has reached final settlement with the families of 11 people injected with plutonium and one person injected with uranium. These families of experimental subjects represent 12 of the 18 that the President's Advisory Committee on Human Radiation Experiments recommended for compensation. The settlements include an agreement for the Secretary of Energy to meet with the families. We may send a White House representative to that meeting.

To Leon / ~~SB~~ SB
Important pts
G
BC

Memorandum to the Vice President
From: Elaine
Re: Lunch with the President
Date: November 13, 1996

THE PRESIDENT HAS SEEN
11-20-96

Welfare Reform - The next four years must be organized around the commitment to make welfare reform a success.

1) Control the bureaucracy. In the next four years the welfare system around the United States will be in transition. In any large, complex system something will be going right and something will be going wrong at any given point in time. A supportive federal bureaucracy will pick out the good and try to publicize it (much as NPR does with good Federal government stories) and try to fix the bad; a hostile bureaucracy will emphasize the failures -- *which there are bound to be.* Control of the critical jobs at HHS, including those jobs which are so low in the bureaucracy that we don't normally pay attention to them, is critical to the success of this endeavor. It starts with the Assistant Secretary for Children and Families -- Mary Jo Bane's old job and goes down to some others.

2) Mobilization of the private sector. This must be a constant, non stop four year campaign. It should become as automatic a part of your travel and the President's travel as greeting the local political dignitaries. At every stop you or the President make, someone should line up 2 or 3 or 50 or 60 local business leaders who promise to hire at least one welfare recipient and to help them keep the job. (The welfare problem is less a problem of *getting* than of *keeping* jobs. This is often not understood.) This can be part of a message event if it fits -- but it should be done even when it doesn't fit -- much as you do private meet and greet events. Someone in the White House should be given this job. By the year 2000 there should be literally thousands of people who have made this commitment to you and/or the President.

YES

& we need a system for this coordinated out of WH → DPC or Pub Liaison or NPR

THE WHITE HOUSE

WASHINGTON

'96 NOV 12 PM12:57

THE PRESIDENT HAS SEEN
11-20-96

November 11, 1996

① cc Leon/EB
② CR → su[illegible]

MEMORANDUM FOR THE PRESIDENT

From: Carol H. Rasco CHR

Subject: Report for October 22-November 11, 1996

UPDATES ON KEY INITIATIVES

WELFARE REFORM IMPLEMENTATION

State Plans for TANF Block Grant -- HHS plans to certify TANF state plans in Kentucky, Nevada, and New Hampshire today, bringing the total number of state plans certified to 11. Twenty-two states have applications pending with HHS. Connecticut's plan is expected to be certified soon. In their plans, most states are indicating that, for now, they will operate their programs as they were under the old law or under their waivers. More changes are expected in the spring when state legislatures convene.

we must do this somehow

Welfare Waivers with Transitional Medicaid -- The Administration should make a decision soon about whether to allow states to continue waivers that offer an extra year or two of transitional Medicaid to people leaving the welfare rolls for work. Many welfare waivers include this feature. Under the law, we are able to continue the waivers but there is a problem because of our requirement that waivers be budget neutral. We always assumed that transitional Medicaid benefits were "paid for" through savings in the AFDC program, but the new block grant does not afford the opportunity for such savings. We are working with HHS and OMB on options.

Guidance to States on "40 Quarters" Exemption -- USDA released guidance to states on how to determine whether legal immigrants still qualify for food stamps because they have worked for 40 quarters in this country.

Options on Medicaid/SSI Linkage -- Legal immigrants on SSI could lose Medicaid even in states that take advantage of their option to continue Medicaid coverage of legal immigrants. This is because they are eligible for Medicaid by virtue of their SSI eligibility, and they may not qualify for other entry points to Medicaid such as having dependent children. HHS is investigating whether it is possible to construct a mechanism by which legal immigrants could automatically keep Medicaid, but has not yet determined whether this is legally feasible.

Housing Issues -- One of the areas of most serious concern among service providers to low-income communities is the impact of the welfare bill on affordable housing. On the one hand, they are worried that those families losing income -- e.g., immigrants, food stamp recipients -- will have greater difficulty paying rent and will lose their housing. On the other hand, they are worried that housing rent policies do not support welfare-to-work efforts. Those leaving welfare for work in public housing or Section 8 housing will find their rents increasing and a large percentage of their disposable income going toward housing costs. HUD is looking at possible action to address both of these problems.

Big issue

Welfare to Work -- OMB has convened a working group to develop the specifications of the $3 billion Welfare to Work plan announced at the Convention. They hope to have the details finalized for decision meetings in early December. There will be some difficult issues concerning the extent of public vs. private sector jobs, targeting, and who should administer the program. DPC, NEC, and OMB will be preparing issue papers and decision memos to move the program forward.

Department of Education Outreach -- The Department of Education has been working with HHS and constituency groups in the education and disability communities to discuss provisions of the new welfare law affecting them. Disability groups are concerned that schools may have reduced access to Medicaid funds in the face of the children's SSI cuts and the changeover from AFDC to TANF. Many schools rely on Medicaid to fund special education therapies. Education groups are concerned about restrictions in the law on the amount of vocational training which can count toward the work participation requirements.

Letter to Advocacy Community and States on Timing of SSI Changes -- On October 24, a letter went out to advocacy groups and to states to clarify that SSA will not drop legal immigrants or children from the SSI program until the middle of next year at the earliest. There has been some misinformation in communities that the cuts could be coming much sooner.

IMMIGRATION

Illegal Immigration Enforcement and Welfare to Work -- On November 1, the INS announced agreement with the Commonwealth of Virginia to replace illegal workers with unemployed legal workers who are on welfare rolls in jobs that they want, need and are qualified to perform. Under this first-ever agreement with a state, INS will immediately notify officials of the Virginia Department of Social Services when the INS removes unauthorized workers from an employer's workplace in the state. This early notification will give the Virginia Employment Commission an opportunity to refer qualified workers who are unemployed and receiving state welfare benefits to these jobs.

Should try to do this w/ States w/ a lot of illegals

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HIV/AIDS

African American Meeting -- October 22, a group of about 90 African-Americans met at the Harvard AIDS Institute to discuss the growing AIDS epidemic among blacks and what can be done to turn it around. Blacks are disproportionately affected by the epidemic. From 1990 to 1994, the annual AIDS incidence grew 69 percent among African-Americans compared with 14 percent among whites. By the year 2000, more than half of all AIDS cases in the U.S. are expected to be among blacks. Patsy Fleming, Alexis Herman and representatives of many national black organizations attended as well as providers of care and prevention services. The outcome of the meeting was a call to action for the African-American community including clergy, the media, the government, community-based organizations, educators and all others who can intervene in this deadly disease.

EXTERNAL ACTIVITIES

MEETINGS AND SPEECHES

Wednesday, October 23, I keynoted a Child Care and Economic Diversification Policy Summit in Reno, Nevada sponsored by The Children's Cabinet, a child advocacy resource center which also provides services to children and families in the area. The conference was designed in conjunction with the DPC to bring together about 25 business people in that state with an equal number of child-serving agency personnel in Nevada to discuss child care and business within the context of welfare reform. Glenda Bean of Arkansas was also brought in to discuss the state's experience designing quality early childhood experiences through collaboration with all sectors, including the business community.

Sen. Bryan as well as Gov. Miller were present for parts of the day. It was an excellent format for talking about what business can do, and what business must be aware of as they accept their share of responsibility in welfare reform. The group left with a defined set of next steps for improving early childhood experiences for low-income children and involving businesses in welfare reform.

Thursday, October 24, I visited the National Council of Juvenile and Family Court Judges training program which is based at the University of Reno. I met with the Dean and faculty/project managers and held a roundtable with judges/probation officers and staff from state social services from around the country in for training on various facets of legal matters regarding children and families. I also attended four class sessions. The information from this visit will be invaluable as we further review initiatives to undertake in improving the child welfare and juvenile justice systems.

Friday, October 25, I met with the Police Chief in Reno, Nevada to discuss his department's comprehensive community policing and youth development programs. Among the youth programs is the GREAT program (Gang Resistance Education and Training) which is overseen nationwide by the ATF Bureau. This is a middle school program that in a comprehensive system follows upon DARE in the elementary schools. I then visited a seventh grade classroom where a Reno police officer was teaching a class; I followed this with a full class discussion as well as a smaller roundtable with four students, the officer and the teacher.

Thursday, November 7, I attended a Welfare-to-Work Programs and Substance-Abusing Populations seminar sponsored by the Annie E. Casey Foundation, American Public Welfare Association (APWA), the National Association of State Alcohol and Drug Abuse Directors, the National Center on Addiction and Substance Abuse at Columbia University, the Legal Action Center, the Urban Institute and the Welfare Information Network. It is important to address substance abuse issues as we implement welfare reform given that a significant percentage of welfare recipients have substance abuse problems. Failure to address the substance abuse problems of current welfare recipients who will also be faced with time limits on assistance could have negative effects on child welfare.

Last week, I also met with Liz Robbins and her clients from Lexis/Nexis who are starting to work with states on electronic search programs for parents who owe child support arrears. Jeremy Ben-Ami of DPC will continue the dialogue with Liz and the company.

Leon/EB

This is great -

I agree w/ all of it, w/ exception of 10,000 pros for juvenile gangs a question which needs more discussion

THE PRESIDENT HAS SEEN

11-20-96

DRAFT

November 12, 1996

MEMORANDUM TO ~~THE PRESIDENT~~

FROM RAHM EMANUEL

SUBJECT DOMESTIC POLICY

'96 NOV 13 PM5:37

As a follow up to our conversation, I have drafted some thoughts on White House organization and strategy concerning domestic policy issues.

DOMESTIC ISSUES:
Your working philosophy has always been to move beyond the either/or policy debates which in the past consumed Washington. For example you have stated that criminal justice policy is not a choice between punishment or prevention, but the collaborated effort of policing the streets, punishing criminals, and preventing crime.

In addition to being sound policy, this is good politics. By incorporating the opposition's rhetoric, you remove their policy claims.

Another key political part of this strategy is positioning. You have been successful when you position yourself on your strongest ground against your opponent's weakest position. (i.e. Police vs. NRA)

CRIME:
Since Nixon's Law and Order campaign, crime has been a staple in the GOP platform. Over the past four years, your policies have redefined the issue and allowed Democrats to achieve parity.

The question you now face is how do we build on the last four years?

I would redraft and then resubmit your Anti-Gang and Juvenile Violent Offender Act. The bill was an adequate place holder at the time, but lacked a single unifying policy initiative like the 100,000 new police officers in the Crime Bill.

?

During the State of the Union, you should propose your new Juvenile legislation with additional funding for 10,000 new anti-violent gang prosecutors. The money can come from the Block Grant funds in the Crime Bill.

That's a lot

The Anti-Violent Gang prosecutors is bold, it follows up on your campaign pledge to put violent gangs out of business, it wins the allegiance of local prosecutors, and it costs no new money.

You have been endorsed and supported by law enforcement, gun control activists, and victims groups. This proposal would enable you to win the trust and support of prosecutors, traditionally a Republican constituency. The GOP Congress would not have a criminal justice group left to validate their policy, except the NRA.

Those who support gun control will interpret the Durbin and Torrecelli elections as a new mandate. Stick with your ban on cop killer bullets. Do not be taken in by their interest in a one gun a month restriction Do not over reach in their area. The NRA will oppose the cop killer bullet legislation and we should welcome that fight. The GOP will divide along ideological and geographic lines and we should foster the split.

The Community Schools Program should be your flagship crime prevention program. Re-name the program the Domenici School Grant program. He was the original sponsor and will fight for its continued funding in the future when he has a stake in it. When selling the program, think of it as a middle class program not an urban inner city effort.

DRUGS:
General McCaffrey is turning out to be an excellent choice. He provides the type of support and confidence we need on this issue.

In a memo I sent to you dated March 19, 1995, I noted that we have excellent policies but lack a message. I still believe that is true. Teen drug use will continue to rise in the near future. No new policy initiative or proposal will reverse that trend until we begin to influence adolescent attitudes.

You need to develop an identification with an anti-drug message that the public can recall. On September 14, 1995, you commemorated the one year anniversary of the Crime Bill by participating in the Red Ribbon campaign. Young kids stood and pledged to never use drugs, alcohol, or tobacco. You should make the Red Ribbon campaign a signature of your drug policy.

There are a number of community anti-drug coalitions. They will be angry at your identification with a single group, but you need an anti-drug message to have an impact on adolescent attitudes and for political cover.

I also believe the Vice President, Tipper Gore, and the First Lady should all participate so you are not out there alone. This campaign should enlist all four principles.

IMMIGRATION:
After the Crime Bill passed in 1994, we built a strong record on

crime. The illegal immigration legislation provides that same opportunity; now that the legislation is passed, we can build up a strong Administration record on immigration.

First, set the goal for Doris Meissner to expand the Institutional Hearing Program, to all seven states (California, New York, New Jersey, Texas, Florida, Arizona, and Illinois). You want this program fully operational by June 1997, at the state, county, and local level. This program will enable you to claim and achieve record deportations of criminal aliens.

Second, as I said in my weekly, you should call for a one month moratorium on naturalization. The time should be used to review past files for criminal misconduct and ensure future procedures. Force the Commissioner to be bold and demand corrective action. You will need such steps to get ahead of a bad story.

Third, the GOP Congress wants to fight the immigration issue out on Government benefits you want to take it to them on the workplace. The INS should be directed to expand the VIS to key industries, beyond meat-packers and poultry. Halfway through your term you want to claim a number of industries free of illegal immigrants.

Fourth, the border will receive its fair share of resources as the legislation authorizes. When appropriate you should announce new agents, technological support, etc.

I would recommend that INS secure key metropolitan areas along the border. The National Guard role should be expanded beyond its present functions. Today, 3,500 National Guard assist local law enforcement. You should dramatically expand this effort. The National Guard can coordinate with their Mexican counter parts. This avoids the charge of militarizing the border.

We should be honest, that if we want continued public support for trade and friendly relations with Mexico, we must be vigilant in our effort to curb illegal trade (e.g. narcotics and immigrants).

WELFARE:
There will be great pressure placed upon you to correct portions of the Welfare Reform legislation. Do not confuse fixing the legislation, with where, how, and what you do rhetorically. Your communication time must be spent on the area of work and responsibility. The editorial page and liberal elite will push you on fixing the legislation these are budgetary items. You must maintain a reform profile as you promised on work and responsibility.

EDUCATION:
I am working on a separate memo on education.

BUDGET:
As the groundwork is laid for our budget, we must change the

story line concerning the magnitude of our Medicare cuts. What our Medicare cuts will be is a no win situation for us. The one item that can alter the dynamics as we work towards a balanced budget is a significant cut in corporate welfare. As everyone is asked to tighten their belts, corporate America must contribute to the effort as well.

ORGANIZATION:
Rather than review individual offices and staff, I would prefer to list particular thoughts and observations.

Each council needs to be thought of as a mini think tank. They must force the departments and agencies to reach beyond the confines of what they think is acceptable. You want people to challenge their counterparts in the departments.

In addition, you should look for people who can manage an issue, a confirmation, a piece of legislation. The ideal person is Dennis Burke, in Domestic Policy, who I trust implicitly on crime and drug issues.

The Deputy Chief of Staff for public/political affairs should have political, intergovernmental, cabinet affairs, and public liaison office within their purview. They should be responsible for managing and coordinating the department outreach efforts.

Yes

When staffing these offices at the top and at the deputy level you should be thinking of individuals capable of managing special projects. You want people who can coordinate a Henry Foster nomination or manage the Waco hearings.

The Administration will always have matters pop up that if not properly managed can side track the over all operation. In generic terms, you are looking for the equivalent of a U.S. Senate campaign manager.

Yes

This takes me to a side point which is obvious, but needs to be reiterated. The White House is a political operation. I think that you should continue the Wednesday political meeting in order to maintain the Administration's edge. A political meeting sets a tone for the cabinet that you are not resting; the next 12 months are everything.

You can not afford a staff that has not been battle tested on the Hill or in the field. It is an honor to work at the White House and the type of people you recruit should reflect the level they will be competing at.

cc: Stiglitz

THE PRESIDENT HAS SEEN
11-20-96

'96 NOV 14 AM11:58

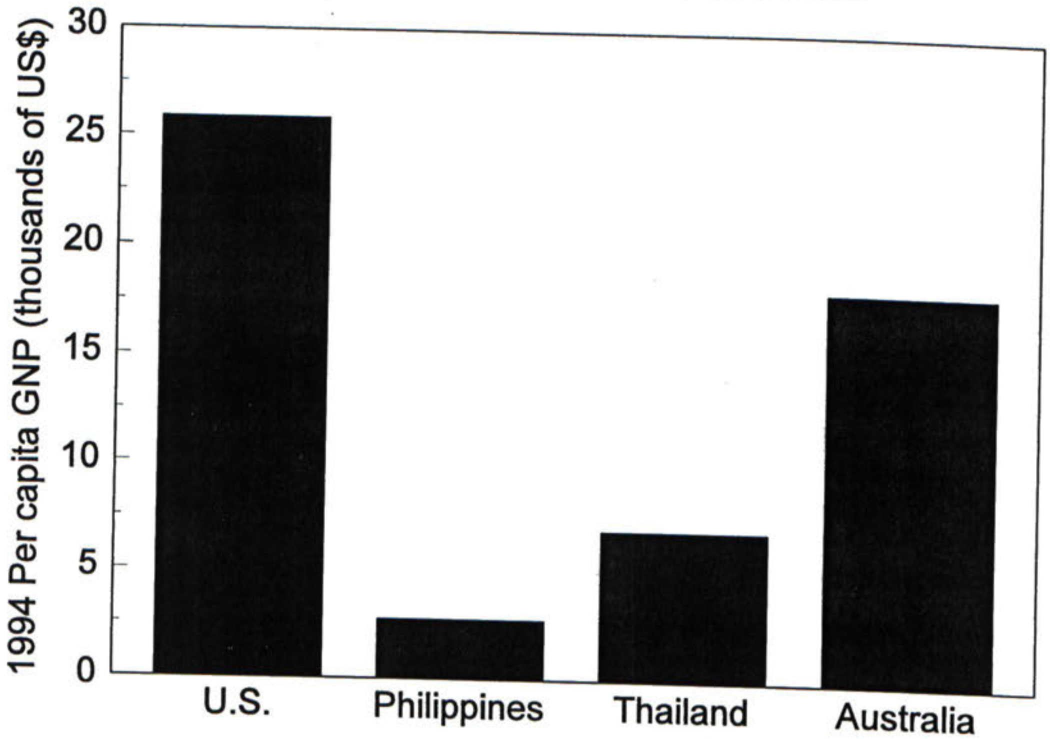
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

November 15, 1996

CHART OF THE WEEK

Per Capita GNP in Selected Countries



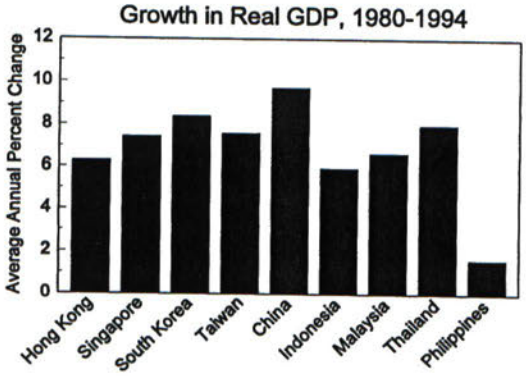
Measured by per capita gross national product (adjusted to reflect purchasing power), the material standard of living in Australia is 70 percent of what it is in the United States. Thailand stands at 27 percent and the Philippines at 11 percent.

SPECIAL ANALYSIS

The Philippines: The Next Asian Tiger?

After lagging behind its neighbors in the 1980s and early 1990s, the Philippines has begun to see faster growth in the last 2 years. But its saving rate may be too low to achieve sustainable growth rates like those of other industrializing Asian economies.

Background. The Philippines averaged less than 2 percent annual growth in GDP between 1980 and 1994 (see chart). Malaysia and Thailand, by contrast, have undergone a prolonged growth spurt, and before long these countries may join the four Tigers—Hong Kong, Singapore, South Korea, and Taiwan—in the ranks of industrialized economies. China and Indonesia are further behind in per capita income but have also grown rapidly.



Philippine exports (in dollars) grew 8 percent per year, compared with rates ranging from 11 percent in Malaysia to 15 percent in Hong Kong and Thailand. Only oil-exporting Indonesia's 6 percent export growth was slower than that of the Philippines.

Preparing for growth. The Philippines undertook a host of structural reforms in the early 1990s. Major state companies have been privatized; monopolies have been broken up; and foreign investment and foreign exchange restrictions have been eliminated. Political stability has improved, and the government budget deficit has been reduced. With all these changes in place, the Philippines has at last begun to experience rapid, export-driven growth. Export growth has nearly doubled since 1993. GNP growth jumped from 2.8 percent in 1993 to 5.5 percent in 1995; and the IMF projects growth to continue to increase through next year. Foreign capital inflows have also increased, especially direct foreign investment.

Ready to roar? The Philippines does not yet fully resemble an Asian Tiger. Growth in East and Southeast Asia has been financed by very high domestic saving and investment rates. Although very respectable, Philippine saving rates are not up to regional standards. Gross domestic saving in the Philippines averaged 19 percent of GDP over the 1980s and early 1990s, closer to that of the United States than to the 30-percent-and-above rates of the Philippines' fast-growing neighbors. Despite the stronger economy, the saving rate shows no sign of increasing. Fortunately, the investment rate has been somewhat higher, because the Philippines benefits from capital inflows and large remittances from the many Filipinos working abroad.

Conclusion. A relatively moderate saving rate will not prevent the Philippines from improving on its past growth record. But it may keep it from becoming a Tiger.

Negative ties
requires some
real thought → means
to work for decline fr. data

SPECIAL ANALYSIS

Welfare Reform and the Unemployment Rate

Recently enacted welfare reform legislation, which should stimulate efforts by welfare recipients to find work, may also raise the unemployment rate.

Analysis. The monthly unemployment rate is calculated from data collected in the Current Population Survey (CPS), in which respondents are classified as employed, unemployed, or not in the labor force. Those without jobs who say they are available for work and have actively sought work in the past 4 weeks are classified as unemployed. Those who have not sought work are classified as not in the labor force and do not enter the unemployment rate calculation.

Currently, about 135 million people are in the labor force, 7 million of whom are unemployed. Of the roughly 4.5 million adult welfare recipients, perhaps 2 or 3 million will be compelled to look harder for jobs because of welfare reform's work requirements and time limits. The box illustrates two theoretical possibilities, assuming 2 million welfare recipients increase their efforts to find jobs and half are successful. In Case 1, where the former welfare recipients are assumed to be new entrants into the labor force, the unemployment rate increases. In Case 2, where they are assumed to be previously unsuccessful job seekers who search harder and are more successful finding jobs, the unemployment rate goes down.

Theoretical Unemployment Rate Outcomes

	Initial level	Case 1 Change	Case 2 Change
Labor Force	135 million	+2 million	0
Employed	128 million	+1 million	+1 million
Unemployed	7 million	+1 million	-1 million
Unemployment Rate	5.2 percent	+0.6 percent	-0.8 percent

Notes: Case 1 assumes welfare recipients are not in the labor force initially; Case 2, that they are in labor force initially. In each, 2 million potential workers move off welfare and half find jobs.

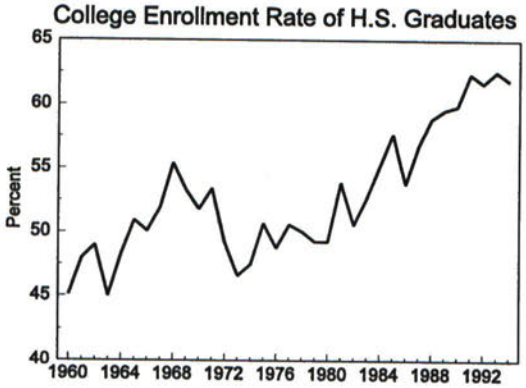
Unfortunately, the monthly CPS does not provide information about the labor force status of welfare recipients. Evidence from other surveys suggests, however, that only about 15 percent of current welfare recipients without jobs are looking for work—more in line with Case 1 than with Case 2.

These calculations are quite sensitive to job-finding rates of welfare recipients. The unemployment rate would be largely unaffected, for example, if welfare recipients were as likely to find jobs as other labor force entrants. Economic performance over the past four years has shown that the economy is capable of creating new jobs. But lack of basic skills, inability to obtain affordable child care, or other constraints may make the transition to work difficult for welfare recipients.

ARTICLE

Trends in College Enrollment

The share of recent high school graduates entering college rose over the 1980s and early 1990s, but has been flat over the past few years (see chart). Tuition costs have out paced the college wage premium and may be an important reason for the change.



An Economic Model of the Enrollment Decision. Economists model the decision to go to college as an investment that is made if the benefits of attending college exceed the costs. The main economic benefit of college is a lifetime of higher earnings relative to a high school graduate. The costs include not only tuition and other direct college expenses but also the earnings forgone by going to college instead of working.

Changing benefits and costs. This economic model performs well in predicting the qualitative direction of college enrollment trends based on changes in the costs and benefits of attending college. Rising enrollment through the 1980s and early 1990s is consistent with increases in the college wage premium (see *Weekly Economic Briefing*, November 1, 1996) that out paced increases in tuition. During the past few years, however, increases in tuition were not matched by increases in the college wage premium. This reduced the net economic benefit of going to college, which is consistent with a flattening trend in enrollment.

Complicating factors. Although the net benefit may have dropped in recent years, back-of-the-envelope calculations suggest that an investment in a college education still yields a substantial economic return. If the college wage premium received by the average student remains at its present level, an 18-year-old who decides to go to college can expect to receive roughly $200,000 to $400,000 of additional earnings for an initial investment of less than $100,000.

Several factors may explain the apparent discrepancy between these numbers and the qualitative success of the economic model (of course, noneconomic factors may affect educational decisions as well).

- Average versus marginal students. Returns to college are estimated based on the net economic benefits for the typical graduate. Some students receive considerably smaller returns. For the student at the margin, the return is zero. For students at or near the margin, small changes in the costs and benefits of a college investment can make the difference in their enrollment decision.

- Credit constraints. Student borrowing from the main federal loan program is limited to $2,625 in the first year of college, $3,500 in the second year, and $5,500 in the third and fourth years, never amounting to the full cost of the investment. If students are constrained in their ability to pay for college, relatively small changes in tuition may prevent them from making an otherwise profitable investment. Credit constraints and low returns for students at the margin help explain the finding that college enrollment is very responsive to relatively small changes in tuition levels. One recent study shows that a $1,000 increase in tuition might reduce enrollments by as much as 20 percent.

- Informational problems. Even if credit constraints exist, the low tuition cost of community colleges makes at least two years of college affordable for all students who live at home. If students are unaware of the availability of loans or other financial aid, however, perceived financial constraints may prevent them from enrolling.

- Risk aversion. Students may be nervous that they might not be able to repay any loans taken out to cover educational expenses. The recent introduction of income-contingent repayment options should help alleviate this concern.

- Changing expectations. Students may respond to changes in the college wage premium by projecting that any new trend will continue. For example, if students in the 1980s expected the premium to continue to grow, the projected benefits of obtaining a college degree would be enhanced substantially. The recent slowdown in the college wage premium may have led students to revise their expectations, significantly reducing the projected benefits of going to college.

Policy implications. One way programs to promote college attendance will be assessed is to look at whether enrollment rates change. Demonstrating the success of programs may be particularly difficult when enrollments are leveling off for other reasons.

Economists focus on market forces—costs and benefits—as a primary determinant of enrollment decisions. Unknowns in the eventual success of Administration policy, including the proposed tax initiatives, are (a) the extent to which their impacts will be offset by tuition increases; and (b) the importance of credit constraints and avoiding additional debt burdens to those who are currently at the margin of enrolling.

INTERNATIONAL ROUNDUP

Japan Announces Plans for Major Financial Sector Deregulation. On Monday, the Japanese government unveiled plans for far-reaching reforms of its financial markets by 2001, aimed at reestablishing Tokyo as a top international financial center. Another aim is to improve investment opportunities for the nation's $10.8 trillion of savings. The reform package seeks to deregulate stockbroking commissions and allow cross-entry by banks, securities firms, and insurance companies into each other's businesses. Also proposed are the abolition of foreign exchange restrictions and the end of fixed commissions on other transactions, including insurance premiums. These changes would be complemented by wider reform of Japan's legal, tax and accounting systems. The government has reportedly declared itself ready to accept the collapse of weaker financial institutions, which may result from deregulation. Analysts appear skeptical that the government will be able to push through the announced reforms against a series of vested interests.

International Development Organizations Focus on Eliminating Hunger. At this week's World Food Summit, leaders pledged to halve the number of undernourished people from its current 800 million by 2015. The World Bank also recently issued a "wake-up call" on food security, stating that a transformation of agriculture and rural development is vital to feeding the Earth's growing population, which is expected to reach 8 billion in the next 30 years. Small-holder farmers represent the largest number of people involved in business throughout the world. They are also among the world's poorest. Therefore, the World Bank is focusing attention on improving conditions in rural areas, through programs that support agricultural research and improve credit access for the very poor.

European Companies Call for Faster Progress Towards the Single Market. In two major recent studies covering thousands of companies in the European Union, respondents registered general satisfaction with the single market. But the studies also showed that business does not think that movement to remove obstacles to trade has been fast enough. Problem areas identified by the studies include slow progress in the setting of common technical standards, which affects the movement of machinery and building materials; failure by member states to recognize other members' certification and test results in certain sectors; a lack of convergence in environmental standards, especially in waste recovery; poor implementation of legislation opening up the public procurement market; and lack of progress on energy market liberalization.

Sandy

FYI - BC

Sunny note

THE PRESIDENT HAS SEEN

11-20-96

SPECIAL ANALYSIS

In Russia, Nothing Is Certain about Taxes

Russia's failure to meet the revenue criterion of its loan agreement with the International Monetary Fund led the Fund to decide it could not release the $340 million October tranche of its $10.1 billion loan. Russia will have to improve revenue performance to receive future tranches.

Tax woes. The October IMF mission to Moscow found that Russia met key September targets related to credit policy and the fiscal deficit. But Russia failed to meet an IMF goal for tax receipts. One of the main aims of the IMF program is to increase government revenue, which has fallen substantially over the last three years, from 16.6 percent of GDP in 1992, to roughly 10 percent of GDP in the first half of 1996. In the third quarter, revenue fell even further to an estimated 7 percent of GDP. This sharp fall in revenues has forced a similar decline in federal expenditures, which limits the government's ability to meet financial obligations such as overdue salaries for soldiers and teachers and pensions.

Revenues have fallen so dramatically for two main reasons:

- Low compliance. Russia's high tax rates discourage compliance. The combination of value-added taxes (20 percent), profit taxes (standard rate of 35 percent), social security payments (40 percent) and personal income taxes (up to 35 percent) add up to a whopping tax bill. Poor revenue performance also reflects the granting of legal deferrals of tax payments and the use of in-kind payments (such as fuel and power) that complicate enforcement.

- Large shadow economy. Many new enterprises try hard to evade high taxes and regulations. Currently, Russia's shadow economy is estimated at 22 percent of GDP. Broadening the tax base by encouraging more new enterprises to pay taxes is therefore essential for boosting revenues.

Reform efforts. The Russian government has implemented several measures to address the revenue issue. An Emergency Tax Committee has been formed to improve collection of unpaid taxes. The federal Bankruptcy Agency has announced plans to liquidate major enterprises that do not settle tax arrears. This should send the message that the government is serious about collecting taxes. A key measure is the creation of a more transparent Tax Code, which is being drafted with significant assistance from U.S. government advisers. The draft code, which reduces the number of taxes from 150 to 30, should streamline Russia's tax system and lead to improved compliance. But even when the draft code is enacted, effectively increasing government revenue will depend critically on the government's will to enforce tax obligations and reduce tax concessions.

probably should lower rates too

Prospects for resumption of disbursements of Russia's IMF loan. Indications are that Russia succeeded in increasing tax revenues in October from the dismal level recorded in September. It remains unclear, however, whether this gain represents the beginning of a sustainable trend that will allow the IMF to resume disbursements. The direct financial impact of a missed disbursement is not large—a $340 million monthly tranche equals just 5 percent of monthly export earnings. But indirect costs that are difficult to quantify matter as well. For example, Russia has embarked on an international road show for its prospective first Eurobond issue, and investors will look to Russia's relationship with the IMF as one of the "comfort factors" that influences the issue's chances of success. The Russian government's inability to collect taxes has largely been due to a lack of political will. The question now is whether it can flex the political muscle needed to reverse the trend and allay IMF concerns.

THE WHITE HOUSE 11/20
WASHINGTON

'96 NOV 20 PM12:44

Todd,

This is a personal note to the President from Mollie Beattie's husband. It has been routed through Katie's office. The VP recieved a similar note.

-Robert Kopla
x6-5147

11/20/96

Phil -

Should I put in the system?

Yes ____

No ✓

to Maureen Lewis for reply for when POTUS returns

9/2/96

Dear Mr. President,

I am writing to thank you for your great tributes to my wife Mollie Beattie, who served as Director of the U.S. Fish and Wildlife Service until she died on June 27.

I want you to know how utterly proud she was to serve in your administration. She was a loyal patriot who believed public service is the highest calling, and who loved this country with all her heart.

That's mainly why, when faced with the choice whether or not to continue working after each operation — she was drawn like a magnet back to the firing line.

I could write a book about how much she and I admire you and Mrs. Clinton. But please just know how much Mollie was honored to have the opportunity to serve you during your first term. I'm sure she would have been just as pleased to continue in your second term.

'96 NOV 20 12:45

With great admiration and gratitude,

Rick Schwolsky

P.S. I've also sent the wolf music CD that she promised you.

November 13, 1996

M E M O R A N D U M

TO: The President

FROM: Nancy Hernreich
Mildred C. Alston

M Lewis

THE PRESIDENT HAS SEEN
11-20-96

RE: Recent Correspondence

Dick and Ann Hill - Congratulations. The Republicans may choose to ignore the voters' strong message that they wanted "bi-partisan cooperation" from their elected officials, but they will not be able to keep history from remembering you as one of "the greatest" Presidents this country has ever had. Their prayers are with you.

Bruce and Annette Sigman - Congratulations on successful re-election. They hope to see you in Washington in January.

Vicki Fletcher wishes you good luck. She's excited for you and knows you're gonna win. See you in Little Rock.

Send book

Zev Braun - *Mazel Tov!* Your election to a second term is a *mitzvah* to those who not only cherish freedom but want all Americans to be able to pursue their dreams regardless of the station of their birth. God grant you peace, serenity and strength as you lead us into the millennium with a profound sense of hope and expectation.

Jim Pledger - Congratulations on a job well done. Thanks for stopping by to see your old staff and cabinet members -- a great time for all of them. Geneva sends love. You and your family are in their prayers.

Renofin

Tommy Caplan - The elation displaced by numbness on Tuesday evening is now sinking in and making itself felt. Congratulations, highest hopes and many thanks for the induplicable, so often ecstatic, adventure of the five years just past. He loves you and Hillary.

Sister Mary Amata McGee thanks for your book and has taken to heart the vision you declare. She hopes you, Hillary and Chelsea are in seclusion having a peaceful rest. A second congratulatory card shows lots of excited bears doing flips. "Can't you just picture me jumping up and down. I did!"

Gail, Joe and Marissa Montuori and **Sonny and Mary Jeffries** - Congratulations.

[illegible]

reply
sign/Pres
send her copy of The Inaugural Remarks

Claudia Cagan - It seems like only yesterday you came to join them on The Arsenio Hall Show. She knew then that you'd make a fine, compassionate and exciting President. On Tuesday night, she realized how lucky we are to have a warm family man, as well as a talented and brilliant statesman, to lead us into the 21st century.

reply

Franca Rota Mulligan thanks you for letter honoring Gerry. Your tribute was read before the concert "Jeru: The Music of Gerry Mulligan" and before each showing of the film "Listen: Gerry Mulligan" at the Lincoln Center.

cc HRC

Peter Kovler congratulates you on being first Democrat to be re-elected since FDR - an enormous achievement. Thanks for proclamation designating Roosevelt History Month and for allowing the Navy to name a destroyer after FDR and Mrs. Roosevelt. This history month was an experiment, and these two steps helped to make it successful.

cc HRC
sign/Pres
reply

Mra. Marcela Palma De Motto, Coordinator of HRC Fan Club in Guadalajara, sends greetings for your victory. The people she represents and her family hope you can accomplish the goals you have determined for this administration.

cc: K. O'Keefe

Victor A. Fleming - A joy to see you in Little Rock. Thanks for your vote and your support. Congratulations on resounding victory. A gentleman he met in Chicago was extremely helpful to him by making phone calls on his behalf to Union representative in Arkansas area, and has expressed a desire to meet you personally someday. Vic encloses copy of the man's business card.

mine reply

Phill Coleman thanks you for thinking of him with invitation to breakfast on Veterans Day. He tried his best to come to Washington, but was unable to afford the arrangements. He will be thinking of lost comrades and will be buoyed with your victory and Al's. Veterans stand by you, Mr. President.

let him see

John Winthrop congratulates on magnificent triumph. All of us are better off as a result of your efforts. Never give up on shrinking the deficit and on promoting education. He sends words of President Kennedy quoting Theodore Roosevelt in December 1961.

Merle Peterson congratulates you. He recognized your ability many years ago and encouraged you to run for President. Now, even the Republicans are admitting you are the best politician to serve in the White House. He is disgusted with Democratic Party in Arkansas, but they are starting to work on that now. At Methodist Men's prayer breakfast you were remembered. You are always in his prayers. Best of luck in next 4 years. He is going to vote his electoral vote for you. Let him know if he can help.

reply 2

Russ Meeks - Good to see you in Little Rock on the 2nd. Thanks for the word, the handshake and the handshake for Rusty (8). He voted for you in his second grade class. Praying for you.

Marge Mitchell loved the way you've run your campaign -- so presidential.

reply

James C. Gavigan thanks for warm greeting of his two sons in West Palm Beach airport. He is proud of your accomplishments and knows you will accomplish many of your goals in second term. He prays for your success and expects history to recognize your accomplishments. Let's do it <u>big</u>. He would like to see history rate you near the top of American presidents.

let me see
reply
Dec. fin

W. Francis McBeth - As four years ago, he writes the day before election to wish you all the best. In his travels he has had many opportunities to speak out for you. Many people ask "What kind of governor was he?" It gives him a great opportunity to lay it on thick.

reply

Dick Batchelor sends copy of his column. The irony of Dole's downfall is that the Republican revolution did the most harm. He reviews some of the predictions and circumstances that changed the direction of the congressional class of 1994 and its affect on Dole's presidential bid.

reply
& addresses
to the
Morleys

Bill Bowen writes of conversation with Viola and Irving Morley, his seat mates from Providence to Chicago last Saturday. Viola (65) explained their support for you by saying, "I believe he'll finish what he has started; no one will sway him from the course he has set for America, and I believe the allegations of impropriety will prove negative." Irving is a retired foreman of privately owned Lincoln Press Co. of Somerset, with 15-25 employees. Bill is still enjoying rarified air of your victory; your David Brinkley exchange. Thanks for appearing before your Arkansas staff.

reply

Pam Catanzano - John Carroll would be proud, too! Heartfelt congratulations. She wishes you four years of courage, strength and peace. Keep up the good work.

reply

Sue Myers - Congratulations on sweetest victory of them all. You have their unwavering support. They are indescribably proud that you are our President, and are grateful for the inspiration you give the kids in this country, particularly their daughters. Do you think she might get to shake your hand during this term?

reply

Rick Walters is pleased with how you have handled attacks on you and Ms. Clinton. You have proved you don't have to play dirty to win. You have done Arkansas and the U.S. proud. He's honored to call you a friend and President of the United States 4 more years.

ltr this sig

Gilmore Stott is very impressed with your commitment, acuity, humanity, wisdom and character. Congratulations, and thanks. You are rock-bound. The country needs you.

ltr this sig

Alan J. Patricof - The battle was hard fought and well won, and he's proud to have played a minor role in helping you achieve much deserved re-election. He looks forward to next four years and opportunity to serve you in an appropriate capacity. Proposition 211 was defeated in California by resounding 70-30 vote. Your support was certainly a factor.

Patti Cogdell - Most hearty congratulations. It's been an exciting 4 years, and they're looking forward to the next 4. You're doing the right thing, and it's most admirable the way you reach out to everyone without regard to party or their prior attacks on you or the First Lady. Many good things will come out of your next administration.

Mary Brown thanks you for your kind words during time of the loss of her son Bobby.

Paul Cooper congratulates you. He is so happy for you and wishes you, Hillary and Chelsea the very best.

Louis Nelson - He and Judy are delighted for you and Hillary and America. They look forward to your inauguration and to the coming years of growth.

THE WHITE HOUSE
WASHINGTON

11/20

Leon - (Panetta)

Per your remark in the Staff Meeting this morning, CEA answered the President's note from last week.

This went to him as he left for APEC.

Phil Caplan

194350

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE CHAIRMAN

November 15, 1996

'96 NOV 15 PM4:54

MEMORANDUM FOR THE PRESIDENT

FROM: JOSEPH E. STIGLITZ

SUBJECT: Response to Inquiry on Energy Price Increases

After receiving our statement on the most recent release of the consumer price index, you asked if there was anything that could be done to ease the increase in energy costs (mainly caused by increases in heating oil and gasoline prices).

In general, we prefer to focus attention on the core inflation rate, which ignores changes in energy and food prices. The core inflation rate has been low and remained steady (with a 2.6 percent increase over the last 12 months, a smaller increase than last year). The recent experience of low core inflation gives us little cause for concern about overall inflationary pressures.

However, energy prices (especially for oil) are quite volatile. To put some perspective on recent price swings, consider that in 1978, average oil prices were around \$9.00 per barrel. By 1981, they had more than tripled to over \$31.50 per barrel. Crude oil prices today are a bit over \$23 per barrel. In inflation- adjusted terms, oil prices today are only slightly above 1978 levels and are less than half the 1981 levels.

Some retail energy markets have experienced recent price increases. For instance, home heating oil prices increased on average from \$1.10 per gallon in early October to \$1.13 per gallon in early November. Some of this increase is seasonal -- with the onset of the heating season, demand for home heating oil increases, putting upward pressure on prices. The month-to-month increase, however, pales in comparison to the year-over-year increase, as home heating oil prices were about \$0.90 at this time last year (though today's heating oil prices are below those seen in 1981 in nominal terms, and just over half 1981 levels in inflation-adjusted terms). Much of the 20 cent per gallon increase is due to higher crude oil prices, which have risen about 30 percent (from \$18 to over \$23 per barrel) since this time last year.

Our assessment is that there are no underlying forces that should lead to sustained higher prices for energy and oil in particular over the short to medium term. For specific products such as heating oil, price changes may reflect particular aspects of the market. We understand that the Department of Energy is monitoring the situation, and Secretary O'Leary has met with representatives of the major oil companies to help ensure that there is not a shortage of heating oil nor a prohibitive price run-up. One concern is lower than normal inventory levels which can make consumer prices more susceptible to shocks in the market.

There are limited policy options available in this area and we observe that previous attempts to meddle in energy markets have often proved fruitless or counter-productive. The Department of Energy is already engaged in sale of $220 million of crude oil from the Strategic Petroleum Reserve. This may help dampen increases in crude oil prices, but the effect should be rather small, since the sales represent much less than one day's supply of oil for the United States. And, lower crude oil prices do not guarantee lower heating oil prices for consumers. To the extent that higher prices than last year impose hardship on lower-income households, the $1 billion in LIHEAP (Low-Income Home Energy Assistance Program) monies available to States via formula can help these households make ends meet. Another $400 million or so in emergency LIHEAP funds is available, but you would need to declare an energy emergency in order to distribute these monies. It might be desirable to see if heating oil prices (and the prices of other energy sources such as natural gas) increase markedly over the next few months before deciding to release these emergency funds. Moreover, a decision to release these emergency funds would also require a decision about where the funds should go, one that is likely to prove contentious.

Please let me know if you wish to discuss this issue further.

cc: HRC
rec'd
4:30 11/15
cc: Nash
Bowles
Stuff Sc

GENERAL COUNSEL OF THE NAVY
WASHINGTON, D.C. 20350-1000

November 15, 1996

MEMORANDUM FOR REBECCA CAMERON

'96 NOV 19 PM 1:37

I would very much appreciate your ensuring that the enclosed letter from me reaches the President, if possible before he departs on his trip. I would also appreciate your ensuring that enclosed copy reaches Mrs. Clinton.

Steven S. Honigman

11-20-96

Rhil -
Should I put in the system?

Yes ✓

No ~~to Maureen Lewis~~

~~c for reply~~

GENERAL COUNSEL OF THE NAVY
WASHINGTON, D.C. 20350-1000

November 15, 1996

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20350-2000

Dear Mr. President,

As you consider transition matters, I want to thank you for the opportunity you have given me to serve during your first term. I would very much like to continue my service, either in my current position or in any other capacity you may think appropriate. In that regard, I believe that I could serve effectively as the Under Secretary of the Navy if that position becomes vacant. In addition to Secretary Dalton, the Chief of Naval Operations and the Commandant of the Marine Corps, assessments of my performance can be provided by Judy Miller, DOD General Counsel; Jamie Gorelick, Frank Hunger, Alan Bersin and Lois Schiffer of the Department of Justice; Tom Grumbly, Under Secretary of Energy; Terry Garcia, General Counsel of NOAA; retired Admiral Bruce DeMars, former Director of the Naval Nuclear Propulsion Program, and retired General Richard Hearney, former Assistant Commandant of the Marine Corps.

With best regards.

Very Respectfully,

Steven S. Honigman

BOARD OF DIRECTORS
ST. FRANCIS LEVEE DISTRICT
P.O. BOX 399 • PHONE 735-1062 • FAX 735-1075
WEST MEMPHIS, ARKANSAS 72303

November 13, 1996

The Honorable William Jefferson Clinton
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D. C. 20500

'96 NOV 20 PM4:20

Re: Channel Improvements to Ten and Fifteen Mile Bayous
Crittenden and St. Francis County, Arkansas

Dear Bill:

I first brought this project to your attention a couple of years ago. The Acting Assistant Secretary of the Army for Civil Works, Dr. John H. Zirschky, looked into it at that time but took no action, based on an opinion that the needed work was not sufficiently authorized as part of the St. Francis Basin Project.

On October 7, 1996 Mr. H. Martin Lancaster, Assistant Secretary of the Army for Civil Works, came to our office in West Memphis, Arkansas. We discussed this project with him and took him on a tour of Fifteen Mile Bayou. He said that he would look into the status of authorization on this project.

I recently asked Mr. J. L. Shaver, Jr., the Levee District Attorney, to review the legislative history of this project and render his opinion on this matter. He found that the work is authorized under the existing St. Francis Basin Project. It is no different from other authorized improvements that have already been constructed by the Corps of Engineers throughout the St. Francis Basin. In addition, this badly needed work can be performed from within existing project funds and will not require additional appropriations from the budget.

I sent a letter to Mr. Lancaster which states that it is the Levee District's opinion that improvements to Fifteen Mile Bayou are authorized as part of the St. Francis Basin Project. I also provided Mr. Lancaster with a copy of Mr. Shaver's opinion on this matter. I have enclosed for your review a copy of my letter to Mr. Lancaster and Mr. Shaver's opinion concerning authorization of this project.

Could you look into this? It is very important that we get it done.

Sincerely,

Maurice

W. M. Smith, Jr.
President

TO DORSKIND
FOR REPLY?
yes ✓
NO

Enclosures: 2

BOARD OF DIRECTORS
ST. FRANCIS LEVEE DISTRICT
P.O. BOX 399 • PHONE 735-1062 • FAX 735-1075
WEST MEMPHIS, ARKANSAS 72303

November 13, 1996

Mr. H. Martin Lancaster
Assistant Secretary of the Army for Civil Works
108 Army Pentagon
Washington, DC 20310-0108

Dear Mr. Lancaster:

I want to thank you for taking time out of your busy schedule Monday, October 7, 1996 to meet with the Board Members and staff of the St. Francis Levee District of Arkansas at our office in West Memphis, Arkansas.

It was an honor to have you in the First Congressional District of Arkansas to look at Fifteen Mile Bayou and its tributary, Ten Mile Bayou, and discuss flood control projects in the St. Francis Basin of Eastern Arkansas.

Our District lies within the alluvial valley of the Mississippi River and has developed into some of the most productive farmland in the United States. However, the rural areas along Fifteen Mile Bayou and its tributary, Ten Mile Bayou, continue to be plagued by flooding. This flooding adversely impacts residential development, industrial development, agricultural crop production, and major infrastructure in the rural areas along the Bayou. In addition, flood levels in Fifteen Mile Bayou plug the drainage outlets of the urban areas within the drainage basin of Fifteen Mile Bayou.

Fifteen Mile Bayou has been the subject of considerable study by the Memphis District, Corps of Engineers. A plan has been developed to reduce flooding in the rural areas along Fifteen Mile Bayou and provide sufficient drainage outlets for the urban areas within the drainage basin of Fifteen Mile Bayou. The studies indicate that improvements to Fifteen Mile Bayou are economically justified and would also provide for improved public health and reduce the risk to human life.

Fifteen Mile Bayou is an integral part of the drainage network in the St. Francis Basin. As President of the Board of Directors of the St. Francis Levee District, I have considered Fifteen Mile Bayou to be a major part of the St. Francis Basin Project since its conception.

I recently asked Mr. J. L. Shaver, Jr, Attorney for the St. Francis Levee District, to research the legislative history of this project and render his opinion as to the status of authorization for this project. Enclosed for your review is Mr. Shaver's opinion on this project. Based on Mr. Shaver's opinion and the opinion of other personnel historically involved with this project, the St. Francis Levee District firmly believes that this project is and has been authorized as part of the St. Francis Basin Project. Furthermore, this badly needed work can be performed from within existing project funds and will not require additional appropriations from the budget.

Once again I would like to thank you for coming to our area. We certainly enjoyed the opportunity to visit with you in a relaxed environment.

Sincerely,

W. M. Smith, Jr.
President

Enclosure

cc: President Bill Clinton
Congresswoman Blanche Lambert Lincoln

BOARD OF DIRECTORS
ST. FRANCIS LEVEE DISTRICT
P. O. Box 399 - PHONE 735-1062
WEST MEMPHIS, ARKANSAS 72301

J. L. SHAVER, JR.
ATTORNEY
P. O. BOX 592
WYNNE, ARKANSAS 72396
(501) 238-2317
(FAX) 238-8310

November 8, 1996

Honorable W. M. Smith, President
St. Francis Levee District of Arkansas
P. O. Box 399
West Memphis, AR 72303

Re: Ten and Fifteen Mile Bayous
Crittenden and St. Francis Counties, Arkansas

Dear Mr. President:

You requested my opinion whether the Chief of Engineers has authority, at this time, to make improvements to Ten and Fifteen Mile Bayous, without further authorization from Congress.

My review of House Document 132, 81st Congress, First Session, Section 204 of the Flood Control Act of 1950, House Document 308, 88th Congress, 2d Session and other documents and reports pertaining to the status of Ten and Fifteen Mile Bayous leads me to conclude that, insofar as our District is concerned, Fifteen Bayou and its tributary, Ten Mile Bayou, are part of the St. Francis Basin project and the Chief of Engineers has authority, at this time, to make additional improvements thereto at his discretion without further authorization from Congress. Paragraph 25 on page 15 of House Document 308 states:

> **"The improvements requiring no further authorization in the St. Francis basin proper are . . .Fifteen Mile Bayou . . ."**

Improvements requiring further authorization are then listed and Fifteen Mile Bayou is not included thereon.

Pursuant to this authorization, the Corps improved the lower ten (10) miles of Fifteen Mile Bayou in the 1970's. In 1978, the Mississippi River Commission was of the opinion that additional improvements could be made to Fifteen Mile Bayou as a continuation of these earlier improvements and, recommended making the additional improvements using the same discretionary authority authorized by Congress in 1950.

A reasonable interpretation of these (and other) documents, and the opinion of persons historically connected with the St. Francis Basin, leads to the clear conclusion that Fifteen Mile Bayou and its tributary, Ten Mile Bayou, are and have been considered by the Congress, the Mississippi River Commission and the Corps of Engineers as part of the St. Francis Basin project authorized for improvement in the 1950 Act.

I have also seen the January 11, 1995, letter of John H. Zirschky, Acting Assistant Secretary of the Army, stating that Ten and Fifteen Mile Bayous are not authorized under the St. Francis Basin project but are a separate element under the West Memphis and Vicinity Project. With all due respect to Mr. Zirschky, I disagree, not only for the reasons set forth above, but also for the reasons that West Memphis constructed its project on its own without Federal participation and left the rural improvements to Ten and Fifteen Mile Bayous uncompleted and the earlier authorization of the St. Francis Basin project for these improvements to Ten and Fifteen Mile Bayous continue to exist.

I understand that Mr. Felty feels it highly desirable for the Corps to improve these Bayous and I see no reason why it should not proceed.

Sincerely,

J. L. Shaver, Jr.

J. L. Shaver, Jr.
Attorney

sj

Cc: Mr. Bill Felty, Chief Engineer