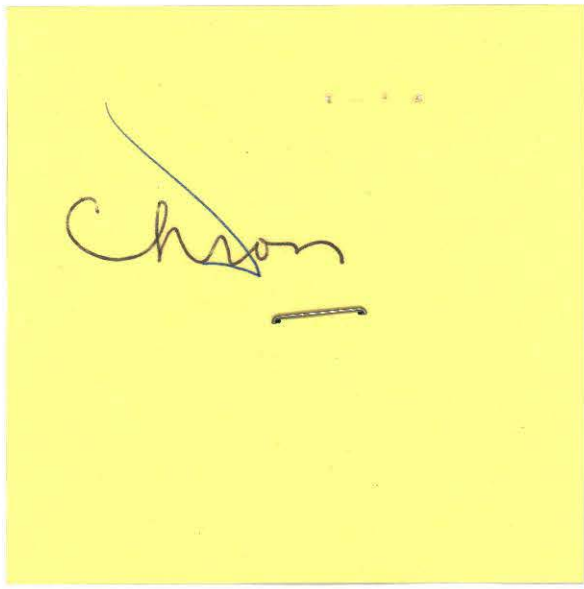


THE WHITE HOUSE

Michelle –
John
Rm 320
(CEA)

Only comments

so far.

Phil Caplan

OFFICE OF THE VICE PRESIDENT
WASHINGTON

TO: Staff Secretary '97 JAN 13 AM 7:13

FROM: Gregory C. Simon
Chief Domestic Policy Advisor

☐ FYI

☐ Comment

☐ Action

Please see edits on page 23.

Document No. [redacted]

'97 JAN 13 AM 11:13

WHITE HOUSE STAFFING MEMORANDUM

DATE: 01/ 09/97 **ACTION/CONCURRENCE/COMMENT DUE BY:** 01/13

SUBJECT: CEA's ECONOMIC REPORT OF THE PRESIDENT - CHAPTER 6 - ROLE OF GOVERNMENT

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	McCURRY	☑	☐
PANETTA	☑	☐	McGINTY	☑	☐
McLARTY	☐	☐	NASH	☐	☐
ICKES	☐	☐	QUINN	☐	☐
LIEBERMAN	☐	☐	RASCO	☐	☐
RAINES	☑	☐	REED	☑	☐
BAER	☑	☐	SOSNIK	☐	☐
CURRY	☐	☐	STEPHANOPOULOS	☐	☐
EMANUEL	☐	☐	STIGLITZ	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☐	☐	TYSON	☐	☐
HERMAN	☐	☐	HAWLEY	☐	☐
HIGGINS	☐	☐	WILLIAMS	☐	☐
HILLEY	☑	☐	BOWLES	☑	☐
KLAIN	☑	☐	RADD SPERLING	☑	☐
BERGER	☐	☐	PODESTA MATHEWS	☑	☐
LINDSEY	☐	☐	SIMON	☑	☐
			WALDMAN	☑	

REMARKS:

Comments to this office by 01/13. Thanks.

RESPONSE:

Staff Secretary
Ext. 6-2702

to reduce requirements on electric utilities that would impede their provision of cable television and, perhaps someday, telephone service. The FCC has approved petitions from some electric utilities for designation as "exempt telecommunications companies" to qualify for this reduced regulation.

Other major provisions of the act seek to control the availability of obscene ~~or~~ and indecent material to minors via the Internet and require that televisions with screen sizes exceeding 13 inches include a so-called V-chip, which when activated blocks[[?] programs with ratings designed to inform parents of sexual, violent, or indecent content that their children might see. Although the Administration has vigorously defended the Internet provisions as constitutional, several Federal courts have ruled that the content provisions regarding indecency violate freedom of speech. {end box}

The Telecommunications Act requires incumbent local telephone companies to allow facilities-based competitors to interconnect with their networks so that customers on both networks can call each other. Responsibility for interconnection rests initially with the carriers themselves, who can negotiate nondiscriminatory terms and conditions, subject to State Government mediation and arbitration. Incumbent local telephone companies must make

'97 JAN 13 AM11:13

OFFICE OF THE VICE PRESIDENT
WASHINGTON

January 10, 1997

MEMORANDUM FOR STAFF SECRETARY

FROM: GREG SIMON

SUBJECT: ERP CHAPTER 1

Please consider the following edits:

Page 24, full paragraph 1	Replace 6th sentence with "Meanwhile, the Technology Literacy Challenge initiative is bringing educational technologies into every classroom in the nation. The four pillars of this initiative is getting advanced computers into the classrooms, connecting them to each other and the Internet, developing education software, and training teachers how to use the technology."
Page 30, full paragraph 1	At the end of the paragraph, add a few sentences about government policies such as the Empowerment Zone initiative.

PRINTED ON RECYCLED PAPER

Document No. _____

WHITE HOUSE STAFFING MEMORANDUM

JAN 10 PM1:03

DATE: 01/09/97 ACTION/CONCURRENCE/COMMENT DUE BY: 01/14/97

SUBJECT: CEA's ECONOMIC REPORT OF THE PRESIDENT - CHAPTER 2 - 1996 ECONOMIC PERFORMANCE

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☑	☐	McCURRY	☑	☐
PANETTA	☑	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
ICKES	☐	☐	QUINN	☐	☐
LIEBERMAN	☐	☐	RASCO	☐	☐
RAINES	☑	☐	REED	☑	☐
BAER	☑	☐	SOSNIK	☐	☐
CURRY	☐	☐	STEPHANOPOULOS	☐	☐
EMANUEL	☑	☐	STIGLITZ	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☐	☐	TYSON	☐	☐
HERMAN	☐	☐	HAWLEY	☐	☐
HIGGINS	☐	☐	WILLIAMS	☐	☐
HILLEY	☑	☐	SPERLING	☑	☐
KLAIN	☑	☐	BOWLES	☑	☐
LAKE	☐	☐	RADD	☑	☐
LINDSEY	☐	☐	PODESTA	☑	☐
			MATHEWS	☑	☐
			WALDMAN	☑	☐
				☐	☐

REMARKS:

COMMENTS TO THIS OFFICE

RESPONSE:

This seems to tilt towards a pro-inflation view of the economy

Staff Secretary
Ext. 6-2702

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

December 31, 1996

'97 JAN 13 PM6:05

The Honorable William J. Clinton
President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to tender my resignation effective at the close of business on January 31, 1997 as Associate Director for Science in the Office of Science and Technology Policy (OSTP) in the Executive Office of the President.

It has been an honor and privilege to serve in the first Clinton/Gore Administration. Your Administration has most effectively begun the process of reshaping Federal policy and of influencing the public so as to enable a strong America in the twenty-first century. Our society is confronting substantial change: knowledge is increasingly our key resource; global linkages are continually strengthened; environmental stewardship has heightened urgency. Science, technology, and education are obviously central to successful harnessing of these changes for Americans' prosperity, security, and quality of life. Under the leadership of Jack Gibbons, I have very much appreciated the opportunity to help develop and promote your research and education agenda for the future.

I know that your second Administration will be marked by continued success in advancing research and education and, most appropriately, will usher in the new century. My current plans are to return to the Massachusetts Institute of Technology and to take up again the position of Head of the Department of Physics. I will certainly do all that I can to support the Administration and, in particular, your strong science agenda.

Thank you for your trust and confidence in allowing me to serve as OSTP Associate Director for Science.

Respectfully,

Ernest J. Moniz
Associate Director for Science

1.13.97
TOP,
OK to send to Clerk/
Do you need?

'97 JAN 13 PM2:14

January 7, 1997

Secretary to the President
White House
1600 Pennsylvania Ave
Washington, DC 20500

Dear Sir or Madam,

As Scoutmaster of Boy Scout Troop 58 of Pine Tree Council, Maine, it is my pleasure to inform The President that a Court of Honor is being held on Monday, January 27, 1997 at the Wescustago Grange Hall, Route 115, North Yarmouth, Maine. The express purpose of this meeting is to present the highest award in scouting, that of Eagle Scout, to Karl Doucette of North Yarmouth, Maine.

As you know, the Trail to Eagle is a long one and the attainment of this award represents a significant amount of time, effort, and dedication on the part of the candidate. If you could find the time to have a letter of recognition sent to Karl, in care of me, I know it would be greatly appreciated.

Best Regards,
Rich Bucsko
Richard Bucsko

Troop 58 Scoutmaster
363 Main Street
Cumberland, ME 04021

FROM OVAL

Send to Dorskind for reply?

✓ YES

_____ NO

cc: w/ incoming
both to Bob Nash
12/17 letter to E. Bowles

EB
We had in
briefing
book

THE WHITE HOUS
WASHINGTON

January 13, 1997

Bernard Rapaport
Chairman of the Board and CEO
American Life Insurance Company
Post Office Box 2608
Waco, Texas 76797

Dear B.:

Thanks for your letter recommending that Dr. Charles Mullins be appointed to the Advisory Commission on Consumer Protection and Quality in the Health Care Industry. It's always good to have your insight, and I've made Bob Nash aware of your suggestion.

Thanks, too, for your very generous offer to be my own "dollar a year man". As you well know, I'm grateful for your willingness to serve and have let Erskine Bowles know of your interest.

Hillary sends her best.

Sincerely,

Bill

Erskine

American Income Life Insurance Company
Executive Offices: P.O. Box 2608, Waco, Texas 76797, 817-751-8600 FAX: 817-751-8670

BERNARD RAPOPORT
Chairman of the Board and
Chief Executive Officer

December 17, 1996

Honorable Bill Clinton
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500-2000

. . .as you no doubt know, during the New Deal period President Roosevelt took advantage of a number of corporate executives and their talents in aid of the war effort. They were known as "dollar a year" men. With the end of the cold war we are faced with another challenge which this particular slice of American life should now be called upon for public service.

In January, I will be completing my stint as chair of the Board of Trustees of the University of Texas. And I would like to serve you and the administration as a dollar a year man.

Throughout my adult life I have been concerned with the relationship of full employment, productive welfare and social justice. They are inextricably linked and yet we do not organize public and private resources or our habits of mind to act in a coordinated way on these public policy questions. As a result, even with our best efforts, we fall short of our intended objectives because they are disconnected, disparate and often contradictory. Our national failure borders on tragedy for literally millions of people. I am convinced that this situation is correctable. It is absurd to believe that it is part of the human condition which knows no favorable resolution. In other words, like you, I believe that there is no policy reason which consigns 40% of the population to suffer an inadequate standard of living. It is not right that many who spent their lives building the bridge to the twenty-first century could end up sleeping under that very bridge. I propose to serve you in the following manner:

With your public blessing I would be put in charge of an interagency task force perhaps as part of the National Economic Council at the beginning of your term. This special task force would be charged with the responsibility of:

(a) assessing the linkage between full employment at decent wages, productive welfare and national needs.

(b) reviewing the ensemble of employment training and education programs to ensure their linkage to a full employment economy.

(c) reviewing a badly frayed infrastructure (roads, bridges, schools, filtration systems, and canals) through a national needs assessment conducted by the states and communities with the aid of the various federal departments.

These activities would be linked to a suggested internal organizational reform of the federal government so that full employment, welfare and education harnessed to national needs could have the possibility of long term success.

To this end an office within the Executive Office of the President would be established. Its mission would be to work with the public and private sectors at the state and local levels coordinating ways of ensuring a high probability of success to achieve the goal of rebuilding our frayed infrastructure while ensuing productive welfare, and full employment at decent wages.

If you are interested in pursuing this direction, I would be more than delighted to come to Washington at a moment's notice.

Fragmentary newspaper accounts suggest that you may assign Hillary to work on some of these matters. I would, of course, be honored to speak and work with her as well.

The public and private resources of the nation are astounding. There is no objective reason that we cannot harness these resources and our investment policies for a national purpose that lays the basis for a new covenant among all our people.

Respectfully,

Mr President
this is very
personal -
I would like this only if you

Bernard Rapoport

BR/pn

P.S. If you would like a more detailed memorandum, I would be honored to supply it.
I think it will be helpful

American Income Life Insurance Company
Executive Offices: P.O. Box 2608. Waco. Texas 76797. 817-751-8600 FAX: 817-751-8670

BERNARD RAPOPORT
Chairman of the Board and
Chief Executive Officer

December 19, 1996

Honorable Bill Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500-2000

Dear Mr. President:

As you move forward in considering appointments to the Advisory Commission on Consumer Protection and Quality in the Health Care Industry, I urge you to consider the critical issues facing America's leading academic medical institutions. We in Texas are blessed with some of the finest teaching and research institutions in the country, whose training and research missions face enormous challenges as the continued delivery of quality health care becomes more complex and more costly.

I can think of no one more qualified to advise you on these issues than Dr. Charles B. Mullins, the Executive Vice Chancellor for Health Affairs for the University of Texas System. As a cardiologist experienced in managing large scale teaching and research programs, and with superb knowledge of national health programs, he grapples with these issues daily. He would be an excellent choice for what I know will be a demanding assignment on the Advisory Commission.

I urge your most serious consideration of his appointment to the Advisory Commission.

With warm personal regards,

Bernard Rapoport

cc: Bob Nash

Mr President,
He is truly qualified -
It's great!

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

December 31, 1996

'97 JAN 13 PM6:05

The Honorable William J. Clinton
President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to tender my resignation effective at the close of business on January 31, 1997 as Associate Director for Science in the Office of Science and Technology Policy (OSTP) in the Executive Office of the President.

It has been an honor and privilege to serve in the first Clinton/Gore Administration. Your Administration has most effectively begun the process of reshaping Federal policy and of influencing the public so as to enable a strong America in the twenty-first century. Our society is confronting substantial change: knowledge is increasingly our key resource; global linkages are continually strengthened; environmental stewardship has heightened urgency. Science, technology, and education are obviously central to successful harnessing of these changes for Americans' prosperity, security, and quality of life. Under the leadership of Jack Gibbons, I have very much appreciated the opportunity to help develop and promote your research and education agenda for the future.

I know that your second Administration will be marked by continued success in advancing research and education and, most appropriately, will usher in the new century. My current plans are to return to the Massachusetts Institute of Technology and to take up again the position of Head of the Department of Physics. I will certainly do all that I can to support the Administration and, in particular, your strong science agenda.

Thank you for your trust and confidence in allowing me to serve as OSTP Associate Director for Science.

Respectfully,

Ernest J. Moniz
Associate Director for Science

1.13.97
TODD,
OK to send to Clerk/
Does/Kind?

THE PRESIDENT HAS SEEN
1-13-97

- **Secretary's Schedule:** On January 13-20, Secretary Kantor will have interviews with the *New York Times*, Charlie Rose and the *Wall Street Journal*.

DEPARTMENT OF LABOR

- **Monthly Employment Situation:** On January 10, Secretary Reich released the national employment and unemployment report for December.

- **Disaster Grants:** This week, DOL's Employment and Training Administration (ETA) provided funds to CA for disaster assistance. CA submitted a request for $25 million in disaster-related funding and ETA has provided one-third of the request immediately while the disaster assistance needs are evaluated. The Vice President made this announcement in CA.

- **Mine Safety:** 1996 was the safest year ever for coal mining in the United States. Coal mining deaths on the job were the lowest ever, down to 38 from a previous record low of 45 in 1994. The *Los Angeles Times* and local papers from coal-producing regions reported this year's historic low in coal mining deaths.

- **Dear Resigns:** On December 20, Assistant Secretary of Labor for Occupational Safety and Health, Joseph A. Dear, announced that he was resigning to become chief of staff to the governor-elect of WA.

Grants: Later this month, DOL's Employment and Training Administration will announce the following grants: the Cass Civilian Conservation Center in Ozark, AR, will receive $2.3 million; the Dayton Job Corps Center in OH will be awarded $1.2 million; and the Assist Dislocated Monterey Coal Workers in IL will receive $4.1 million. The Employment and Training Administration will also issue two grants totaling $1.1 million for dislocated workers in MD.

- **Consumer Price Index:** On January 14, the Bureau of Labor Statistics will release the Consumer Price Index for December.

- **Consumer Price Index:** During the last week of January, Bureau of Labor Statistics Commissioner Abraham will testify before the Senate Budget and Finance Committees about proposed changes in the CPI.

Copies to:
Scheduling
Dorskind

THE PRESIDENT HAS SEEN
1-13-97

- **1997 Energy Outlook:** The first quarter *1997 Short-Term Energy Outlook* noted that the national average motor gasoline pump prices should hover around $1.32 per gallon in the first quarter of 1997, up 12 cents from the same period in 1996. Retail heating oil prices in the fourth quarter of 1996 averaged 13 cents per gallon higher than in the same period of 1995. But the recent recovery in heating oil stocks and warm weather ensure ample supplies for the rest of the heating season and have induced a decline in retail prices.

- **Waste Management:** In late January, DOE expects to release its final environmental impact statement for most waste management activities throughout the DOE complex. This document represents over $30 billion in waste management projects. This is part of the Administration's strategy to clean up and stabilize the legacy of 50 years of nuclear weapons production. Cleanup is expected to last well into the next century, affecting states like CO, WA, ID, CA, NM, NV, IL, SC, NY, OH, TX and TN.

- **Electricity Reliability:** On January 16, DOE's Task Force on Electric System Reliability will hold its first meeting. The task force is set up to address issues affecting the reliability of the nation's bulk electric system.

- **Nuclear Weapons Protest:** On January 27, activist groups will participate in a coordinated international day of action that involves calling the White House and asking you to cancel the subcritical nuclear tests planned for detonation underground at the NV Test Site.

- **Clean Coal Conference:** On January 10, Secretary O'Leary addressed the conference about Administration accomplishments in energy technology research and development in Tampa Bay, FL.

- **Public Service Award Ceremony:** On January 13, Secretary O'Leary will be honored in Atlanta, GA, by the *Turner Broadcasting Company*. The Secretary will be presented with the "Trumpet Award" for dedicated public service.

ENVIRONMENTAL PROTECTION AGENCY

JIM DORSKIND:

Please coordinate the reply.

oration: On January 10, Administrator Browner joined federal, state and he Everglades National Park in Dade County, FL, to attend a ground-ıy, marking a major step in the restoration of the Everglades.

JIM DORSKIND:

Please coordinate the reply.

THE WHITE HOUSE
WASHINGTON

PRESIDENT HAS SEEN
1-13 97

'97 JAN 10 PM2:37

January 10, 1997

Dear Mr. President:

I have just returned from the Antarctic--a fact-finding visit with Norman Augustine and others to review the U.S. activities and infrastructure there. The Antarctic is of great strategic and scientific value to the U.S., and we are trying to devise a way to maintain our activities there under a scenario of level funding.

One distinguishing feature of that continent is its "dry valleys" of the Transantarctic Mountains, that are blown free of snow by fierce winds coming down from the South Polar Plateau. The winds pick up dust, which in turn abrades the volcanic rock. In the face of such an extended onslaught over the millenia, many of the rocks simply disintegrate, but other stones end up polished and smooth with a unique patina. I brought one of the latter, a "ventifact," home for you. There's a personal lesson here, I think: the results of fierce buffeting and weathering, can, to the right material, result in a more endearing and enduring product. Adversity wears well on the chosen few (such as you!).

Warmest regards,

Jack Gibbons

DO TU
Martin Marietta

President William J. Clinton
White House
Washington, D.C. 20502

THE WHITE HOUSE

WASHINGTON

DATE: January 13, 1997

NOTE FOR: The Honorable Richard W. Riley
Secretary of Education

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒ XX

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

1-13-97

Todd -
Is this okay to send out?

C. yer

THE PRESIDENT HAS SEEN
THE PRESIDENT HAS SEEN
1-13-97
'97 JAN 10 AM8:45

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

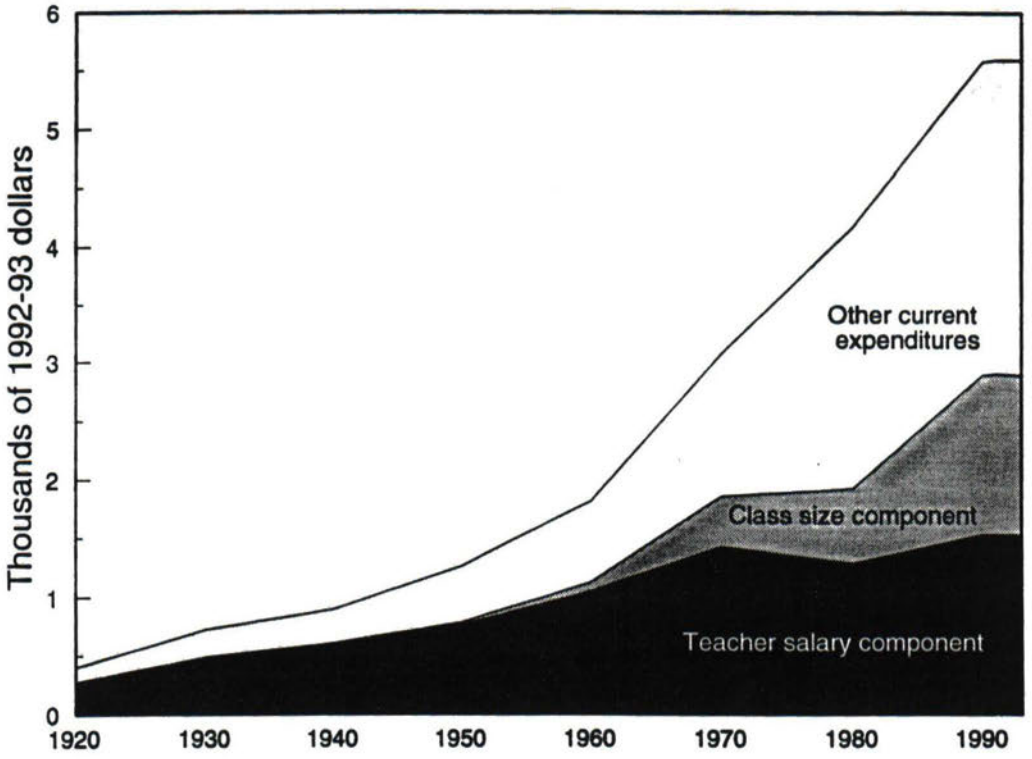
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

January 10, 1997

cc Bob Reich
Sec. Riley

CHART OF THE WEEK

Trends in Public Educational Expenditures Per Student



Real (inflation-adjusted) public elementary and secondary educational expenditures per student have grown dramatically over the century. Both teachers' salaries and class size affect per-student expenditures on instructional staff. Teachers' salaries have grown quite slowly since 1960. Lower teacher-student ratios explain much of the rise in per-student expenditures on instructional staff. Other current expenditures have also increased substantially. These include administrative expenditures, teacher health and retirement benefits, purchases of books and supplies, and other classroom instructional expenses.

Breakdown would be useful

CONTENTS

CURRENT DEVELOPMENTS

Did Retailers Have a Merry Christmas? 1

Energy Prices and Inflation 2

SPECIAL ANALYSIS

Educational Expenditures and Student Performance 3

ARTICLE

Mergers and Acquisitions: Evaluating Competitive Effects 5

DEPARTMENTS

Business, Consumer, and Regional Roundup 7

International Roundup 8

Releases 9

U.S. Economic Statistics 10

Financial and International Statistics 11

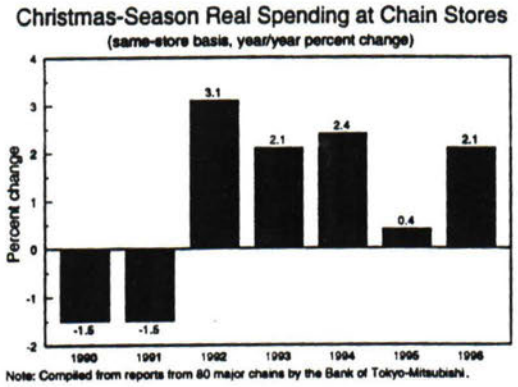
"At last! After all the debates and polls, it's back to real politics!"

CURRENT DEVELOPMENT

Did Retailers Have a Merry Christmas?

General merchandisers make about 25 percent of their sales in the November-December Christmas season. Sales at chain stores suggest Santa was relatively jolly this year.

Christmas-season sales. Sales at the major chains were 3.2 percent higher in nominal terms during the 1996 Christmas season than they were during the 1995 Christmas season. After adjusting for inflation using a consumption goods deflator, real sales were up about 2.1 percent from a year earlier (see chart). This growth is much better than 1995's and in the same solid range as in 1993 and 1994. (These trends are based on sales in stores that have been open for at least a year.) The figures for this Christmas season were also consistent with 12-month changes reported earlier in the year.

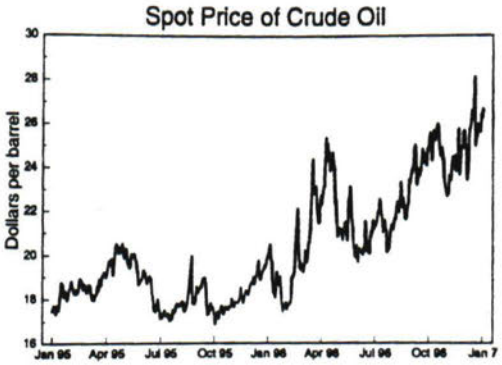


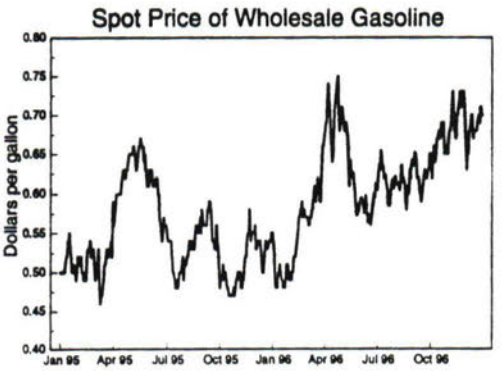
Other signs of strength. Chain stores comprise only about 2 percent of non-auto retail spending. More complete data on retail sales will become available with next week's report from the Commerce Department. Meanwhile, most of the data that have arrived in the past month—employment, housing starts, merchandise trade, construction, and Purchasing Managers' Index—have been stronger than expected. Private forecasters are raising their estimates for fourth quarter growth. So too is CEA—to about 3½ percent at an annual rate.

CURRENT DEVELOPMENT

Energy Prices and Inflation

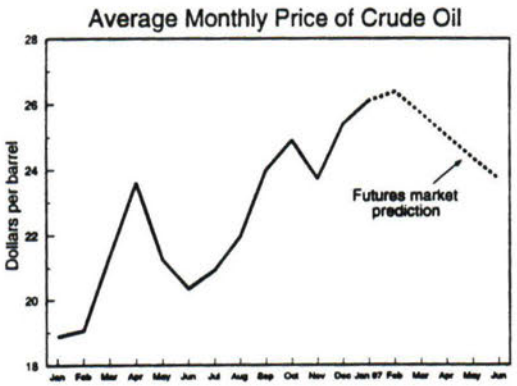
Energy price increases fueled an unexpected 0.5 percentage point jump in producer prices in December. Overall, the producer price index (PPI) is not pointing to rising inflation—the core PPI, which excludes volatile food and energy components, rose only 0.6 percent over 1996. But energy prices are proving troublesome.





Analysis. The energy price component of the PPI jumped 3.1 percent in December. Sharp price increases for gasoline (5.2 percent) and fuel oil (4.9 percent) reflect increases in the price of crude oil (see top chart) and may be influenced by cold weather in Europe.

Futures markets correctly predicted that this spring's spikes in crude oil and wholesale gasoline prices would not persist. But the more gradual and persistent rise in these prices since July has defied futures market predictions. A post-Gulf-War high for crude oil was touched recently. Once again, the futures market is predicting a decline in crude oil prices (see bottom chart). This time the prediction may be fulfilled, since Iraqi oil is finally starting to come on line.

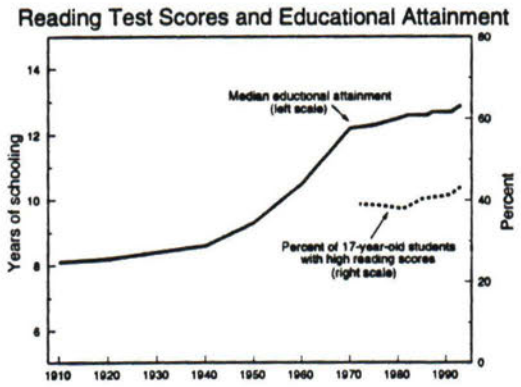


Implications. Increases in crude oil prices tend to show up relatively quickly in wholesale prices and then more slowly in retail prices. Even if crude oil prices begin to fall, retail energy prices may still show the effects of the recent rise for a month or so. Retail gasoline prices have been falling since about Thanksgiving but are still 13 cents per gallon higher than a year ago. Retail prices for home heating oil are about 15 cents per gallon higher than this time last year.

SPECIAL ANALYSIS

Educational Expenditures and Student Performance

Thirty years ago, the Coleman report concluded that spending more on education does not improve student performance as measured by test scores. Although additional evidence has accumulated supporting the Coleman position, new research suggests that greater spending can increase students' educational attainment and raise their earnings when they enter the labor market.



"There is no effect." Real expenditures per pupil in public elementary and secondary schools have grown over many decades (see Chart of the Week). Despite continued growth in expenditures, we have seen little improvement in either test scores or educational attainment during the last 25 years (see chart).

This lack of relationship between spending and outcome trends has produced a popular view that simply spending more money on education is unlikely to produce better results. More careful analyses, beginning with the Coleman report, have tried to separate the effects of school expenditures from other factors that affect outcomes (like family income) and also have found no relationship between school spending and test scores. Dozens of research papers over the past 30 years have supported the original Coleman finding.

"There is so an effect." New research has focused on educational attainment and wages rather than test scores as outcome measures. This reflects the economist's view of education as an investment in human capital, so that greater spending should produce higher returns in the form of greater productivity and higher market wages. Research along these lines indicates that, among workers now in the same labor market, those who were educated in states with higher per capita education spending also tend to earn higher wages.

Analysis. Those who adhere to the original Coleman Report finding question how school spending could improve educational attainment and wages without improving test scores. One possible explanation is that test scores are a highly imperfect measure of student performance that are not closely related to the true benefits of education. Also, completely removing the effects of confounding factors and identifying causal relationships is often a controversial exercise. Participants in this academic debate frequently allege statistical bias in their adversaries' approaches.

If additional expenditures have diminishing effects on student achievement, then the two sets of findings may not be as inconsistent as they appear to be. Earlier in the century, greater differences existed in educational expenditures across regions. Because current wages depend upon education received years ago, those exposed to greater resources in youth may earn substantially more now. The smaller cross-regional differences that exist today may be too small to produce marked differences in outcomes.

Implications. After years of research, the academic literature is still unable to determine conclusively whether additional school spending improves student performance. How resources are spent may be at least as important as how much is spent. Policies that attempt to enhance learning without spending more money, such as charter schools, are certainly an appropriate alternative under these circumstances.

SPECIAL ANALYSIS

Mergers and Acquisitions: Evaluating Competitive Effects

Large announced mergers in the telecommunications, electricity, and defense industries contributed to a reported record $659 billion of merger and acquisition activity in 1996. This activity merits a review of how Federal antitrust authorities determine whether a particular merger threatens competition.

Defining the market. The major concern is "horizontal" mergers, in which two firms that used to compete against one another in the same market are combined into one. To explain how to determine whether a merger raises this concern, the Antitrust Division of the Justice Department first issued "Horizontal Merger Guidelines" in 1982. These were most recently revised, and reissued jointly with the Federal Trade Commission, in 1992. The first steps in evaluating a proposed merger involve identifying the relevant market and identifying the firms in it. Consider, for example, a merger of two hospitals in the town of Mudville.

- What is the relevant market? A market is defined as a group of products and a geographic area in which these products are purchased or sold, where a hypothetical monopolist could profitably impose a "small but significant nontransitory increase in price," or SSNIP (for example, an increase in price of 5 percent that lasts for a year). Products that buyers consider to be close substitutes should be treated as being in the same market. If analysis suggested that a hypothetical Mudville hospital monopolist could not get a SSNIP to stick because doctors or patients would extensively turn to hospitals in another city or to outpatient clinics, those hospitals and clinics would be treated as being in the relevant market.

- Who is in the market? Do the merging firms compete with each other in a relevant product market and geographic area? And who else competes with them? An important concept here is "supply substitutability," that is, whether a firm would change product lines if other firms attempted a SSNIP. If doctors began performing more procedures in their offices following a rise in Mudville hospital rates, those offices would have to be included in the market as well.

The bone of contention in most merger cases is this process of "market definition." To defend a merger, firms argue either that the relevant markets are sufficiently broad as to include so many competitors that collusion is impossible (Mudville patients would go anywhere in the state), or so narrow that the merging firms do not really compete in any relevant market (east side Mudvillians would not trek over to that west side hospital).

Evaluating the threat to competition. Once the relevant markets and firms are identified, analysts calculate numerical measures of concentration to determine whether the market currently looks competitive and whether it will continue to look

competitive after the merger. If Mudville patients would turn to a dozen different hospitals, a merger between two of them is not likely to reduce competition. But mergers in highly concentrated markets can reduce competition, especially if the merging firms are among those with the largest market shares, for example, the two largest of only four Mudville hospitals.

Market concentration alone, however, is not a foolproof predictor of competitive harm. The Guidelines identify a number of further issues to be assessed before concluding that a merger is anticompetitive:

- Behavior. The major innovation in the 1992 Guidelines was an explicit discussion of anticompetitive harms and the factors making them more or less likely. The two major harms were unilateral market power of the merged firms, (will the merging Mudville hospitals raise prices themselves?), and other coordinated interaction among all the firms in the market (will the merger lead to price fixing by the all the Mudville hospitals?). Unless a plausible story of anticompetitive behavior can be told, concentration alone is not sufficient to judge a merger anticompetitive.

- Potential entry. Even if concentration is high, a merger will produce no competitive harm if new firms would enter the market in response to an increase in price by the merging firms. The Mudville merger would cause little harm if it were reasonable to expect new hospitals would be built there in response to a SSNIP. Successful entry depends very much on how much irreversible investment firms have to "sink" to become successful. The greater are these sunk costs, the less likely entry is to take place in a timely and significant way.

- Efficiencies. A particularly controversial issue is when, if ever, antitrust authorities should take possible cost savings into account as a mitigating factor in assessing competitive harms. Merging hospitals frequently cite gains from sharing equipment or scale economies. Under the Guidelines, the antitrust authorities will consider efficiency gains, but only if they cannot be achieved through means other than merger, such as through limited partnerships or internal expansion.

- Exiting assets. One Mudville hospital might claim that it will go out of business if the other hospital does not buy it. Mergers in which one firm buys a competitor are not harmful if that competitor would have failed and left the market anyway. But if a third firm with a lesser presence in the market than the acquiring firm would have purchased the exiting firm's assets and kept them in the market, this "failing firm" defense for a merger need not be compelling.

Few cases need not mean lax enforcement. Effective merger guidelines encourage substantial self-policing: firms do not undertake mergers that would fail the test of the guidelines and they take action in advance of merging (perhaps via spinoffs) to avoid raising concerns. In an ideal world with ideal guidelines, the number of merger cases that had to be brought should be small.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

States Compete for Business Relocations. Between 1991 and 1995, more than 56,000 businesses moved across state lines, relocating more than a million jobs. The biggest gains went to the South Atlantic and Mountain states, while New York, California, and the District of Columbia suffered the biggest losses—a total net outflow of 7,675 businesses and over 180,000 jobs. Low wages in Southern states drew manufacturing jobs to that region, while Virginia and Maryland saw relocations from the District. Mountain states offered various incentives to migrating businesses: Colorado is home to the best-educated workforce outside of the Northeast and Nevada charges the lowest tax rate in the nation. The concentration of job losses among a few states suggests that poor local conditions, rather than better opportunities elsewhere, may often inspire business migration.

Waivers Preserve Food Stamp Benefits for Areas with Insufficient Jobs. Last year's welfare reform legislation restricted food stamp receipt to 3 months in any 3-year period for 18- to 50-year-olds with no children, unless they are engaged in work-related activity or sufficient jobs are not available for them. Since the law went into effect, 18 states have requested waivers from this provision due to lack of jobs in selected areas of the state. The waivers have been approved in whole or in part in 9 states and are pending in 8 more. The basis for the states' request include: an unemployment rate higher than 10 percent, an unemployment rate 20 percent above the national average, and insufficient jobs based on a variety of other criteria. Rhode Island even requested a waiver for the entire state because 90 percent of affected clients live in "labor surplus" areas, as defined by the Bureau of Labor Statistics. Bigger states requesting waivers for certain areas include New York, Pennsylvania, New Jersey, Illinois, Ohio and Texas. In Illinois, a waiver request for the entire city of Chicago has already been approved. These waivers should ease the burden of the food stamp cuts for some individuals. However, they may also create perverse incentives to move from low- to high-unemployment areas.

Simple Hygiene Advances Let U.S. Population Surge. The U.S. population has ballooned from 81 million in 1900 to a projected 276 million in 2000. A new demographic study finds that if the advances in public health over the past 96 years had not occurred, the population today would be only half its current size. Mortality reduction in the first half of the century was concentrated among children and young adults. Most likely, the reduction did not result from sophisticated medical treatments but rather from simple changes in hygiene and public health such as cleaner water, the sterilization of food, washing hands, and isolating sick patients. As a result, children who would have died survived and had children of their own, causing the jump in population. In the second half of the century, medical advances affected mainly older people who had already had children, which had a great effect on the number of very old people, but a smaller effect on the overall population. If health progress had stopped in 1950, the U.S. population would only be 6 percent smaller than it is today—but its demographic composition would be different.

INTERNATIONAL ROUNDUP

Israeli Security Measures and Trade Sanctions Alter Gaza Trade. Exports from the Gaza Strip were down almost 10 percent in the third quarter of 1996 compared to the same period in 1995. This export decline was due primarily to tightened security procedures and a ban on Gaza-produced construction materials. The ban on the export of Gaza-produced paving and floor tiles, which arose from Israeli concerns about hidden explosives, led to a 30 percent drop in exports of construction material from Gaza. The Gaza Strip's GDP is expected to decline by an additional 5 to 10 percent, after having fallen about 8 percent in 1995.

Summit Statement Attacks High Levels of European Unemployment. European Union leaders committed themselves to the fight against unemployment in a statement released at the conclusion of last month's European Summit in Dublin. Expressing optimism that falling interest rates, fiscal consolidation by member states, and low wage and price increases will lead to sustained growth and increased employment opportunities throughout the EU, the declaration highlighted the need to push policies to increase employment. Specifically, the EU leaders emphasized the need to accelerate the implementation of the single market, invest in human resources, and enhance training incentives for employers. A key question, however, is whether a sufficient monetary response will be forthcoming quickly enough to prevent fiscal contraction from raising unemployment in the short run. The average EU unemployment rate was 10.9 percent in the third quarter, up slightly from the same quarter of 1995. Spain had the highest unemployment rate, 22.1 percent, and Luxemburg had the lowest, 3.1 percent. France reached a postwar high 12.7 percent unemployment rate in November.

Affirmative Action Under Fire in South Africa. A key part of a two-and-a-half-year effort to employ non-whites in professional jobs in South Africa was abandoned last week in the face of a rising number of accusations of reverse discrimination. The "Jobs for South Africa" project, originally designed to provide 10,000 public sector jobs for non-whites, received close to 2 million applications, but filled only 25 percent of the vacancies. Meanwhile, the Ministries of both Labor and Justice have been accused of passing up qualified whites in efforts to appoint less-qualified blacks to high level positions. Hearings on cases against both agencies will take place this year. Only 20 percent of blacks hold a higher education qualification, compared to 73 percent for white males and 67 percent for white females. This educational disparity makes it difficult to eliminate disparities in income and employment levels in the short term. Modest progress has been achieved recently, as average black, "colored," and Indian household incomes all rose somewhat faster than average income for whites between August 1995 and August 1996.

RELEASES THIS WEEK

Employment and Unemployment
****Embargoed until 8:30 a.m., Friday, January 10, 1997****

In December, the unemployment rate was unchanged at 5.3 percent. Nonfarm payroll employment rose by 262,000.

Producer Price Index

The producer price index for finished goods rose 0.5 percent in December. Excluding food and energy, producer prices rose 0.1 percent. For the 12-month period ending in December, the producer price index for finished goods rose 2.8 percent; excluding food and energy, producer prices rose 0.6 percent.

MAJOR RELEASES NEXT WEEK

Consumer Prices (Tuesday)
Retail Sales (Tuesday)
Industrial Production and Capacity Utilization (Friday)
U.S. International Trade in Goods and Services (Friday)

U.S. ECONOMIC STATISTICS

	1970–1993	1995	1996:1	1996:2	1996:3
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	2.0	4.7	2.1
GDP chain-type price index	5.3	2.5	2.3	2.2	2.0
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	–0.1	1.9	0.6	–0.3
Real compensation per hour:					
Using CPI	0.6	1.0	0.2	0.1	1.1
Using NFB deflator	1.3	1.7	2.0	2.0	2.0
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.4	10.3	10.6
Residential investment	4.5	4.0	4.1	4.2	4.1
Exports	8.2	11.1	11.3	11.3	11.1
Imports	9.2	12.4	12.5	12.6	12.7
Personal saving	5.1	3.4	3.6	3.2	3.9
Federal surplus	–2.7	–2.2	–2.1	–1.7	–1.6

	1970–1993	1995	Oct. 1996	Nov. 1996	Dec. 1996
Unemployment Rate	6.7**	5.6**	5.2	5.3	5.3
Payroll employment (thousands)					
increase per month			261	127	262
increase since Jan. 1993					11176
Inflation (percent per period)					
CPI	5.8	2.5	0.3	0.3	N.A.
PPI-Finished goods	5.0	2.3	0.4	0.4	0.5

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.
Employment and unemployment data **embargoed until 8:30 a.m., Friday, January 10, 1997.**

FINANCIAL STATISTICS

	1995	1996	Nov. 1996	Dec. 1996	Jan. 9, 1997
Dow-Jones Industrial Average	4494	5743	6318	6436	6626
Interest Rates					
3-month T-bill	5.49	5.01	5.03	4.91	5.00
10-year T-bond	6.57	6.44	6.20	6.30	6.52
Mortgage rate, 30-year fixed	7.95	7.80	7.62	7.60	7.85
Prime rate	8.83	8.27	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	**Current level**	**Percent Change from**	
	Jan. 9, 1997	**Week ago**	**Year ago**
Deutschemark-Dollar	1.578	2.4	9.4
Yen-Dollar	116.2	0.6	10.8
Multilateral $ (Mar. 1973=100)	89.58	1.3	5.1

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	2.2 (Q3)	**5.3** (Dec)	3.3 (Nov)
Canada	1.6 (Q3)	10.0 (Oct)	2.0 (Nov)
Japan	3.2 (Q3)	3.4 (Oct)	0.5 (Oct)
France	1.4 (Q3)	12.8 (Sept)	1.6 (Nov)
Germany	1.9 (Q3)	7.4 (Oct)	1.5 (Nov)
Italy	0.7 (Q2)	11.9 (Jul)	2.7 (Nov)
United Kingdom	2.4 (Q3)	7.9 (Oct)	2.7 (Nov)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, January 10, 1997.**

Shelburne

THE WHITE HOUSE

WASHINGTON

Mr. President

for I was away
a pen fm
Clerk

THE PRESIDENT HAS SEEN
1-15-97

THE PRESIDENT HAS SEEN
1-13-97

THE WHITE HOUSE
WASHINGTON

January 10, 1997

Dear Mr. President:

It has been an honor to serve you as Special Counsel for the past two years. As you know, it was always my intention to leave this post after the election. I could not keep my remarkably tolerant and forgiving family on 'hold' any longer. I return to them and to private law practice, grateful for having had the opportunity to serve.

When I joined the White House staff shortly after the mid-term elections, the Republican leadership of the new Congress had made plain it intended to use its investigative power for the purpose of defeating your re-election. Together with the able staff Harold and I assembled, we worked hard to ensure that the truth would emerge from the partisan clamor and to expose the political motivations animating these inquiries.

Our job was made ever so much easier by the secure knowledge that the attacks against you and the First Lady have been baseless.

On behalf of myself and my entire staff, I wish you an inspired and unhindered second term. I remain ready to help in whatever way appropriate.

Sincerely yours,

Jane C. Sherburne

1-10.97
Dan Baer
Potus thought
you may
want this. Bx

"I GAVE THEM A SWORD"

BEHIND THE SCENES OF THE NIXON INTERVIEWS

By
DAVID FROST

WILLIAM MORROW AND COMPANY, INC.
NEW YORK 1978

THE WHITE HOUSE

Jan 13-97

T. J. (Glauthier)

As discussed.

Although far from an expert, my read of this says we can take care of the uranium miners with not that much effort.

I think we should if at all possible.

Thanks
Phil

To: OMB
From: Tara O'Toole, Assistant Secretary of Environment Safety and Health
Department of Energy
Subject: DOJ Proposal for Uranium Miner Compensation in RECA Legislation

I note for the record that the widespread practice of using population based statistical data - i.e. cancer doubling doses - to predict the probability of cancer amongst a population is not, from a strictly scientific standpoint, directly applicable to the calculations of a particular individual's chances of getting cancer from a given dose. Given our ignorance about why one person gets cancer and another (with same exposures) does not, it is a reasonable framework as a rule of thumb, but it is NOT SCIENCE.

Nonetheless, I understand DoJ's concerns about setting unexplored new legal precedents for compensation due to government wrongdoing.

We can retain the 50% probability threshold criterion for compensation among Uranium miners and still be generous and compassionate if we make the following adjustment to the current proposal:

Suggest that the proposed confidence interval (CI) of 80% to calculate error adjustment in miner radiation exposures is technically not easily defended and results in minimal additional miners receiving compensation. Usual practice in peer-reviewed science journals is to apply CIs of 90 or 95%. Given the considerable uncertainties in reconstruction of individual dose data, the more conventional allowance for error would seem justified. Use of a 95% CI (i.e. we accept a range of possible dose calculations that will encompass 95% of the person's "true" dose) yields an exposure error correction factor of 3.82.

It is my understanding that using a CI of 80% (correction factor = 2.85) will result in only an additional handful of miners receiving compensation. This leaves the Administration in the position of being stingiest with those people (Uranium miners) who:

a) received (by far) the highest doses of anyone in the entire universe of Human radiation subjects

b) did suffer real harm (lung cancer) - as opposed to the Plutonium injection subjects who were ethically "wronged" by the government but suffered no injury.

Note also that the historical record clearly documents that the government knew miners were exposed to unsafe Radon levels and did nothing for years - the ethical wrong done the miners is at least as egregious as that suffered by plutonium subjects.

The political consequences of the current proposed compensation scheme - significant inequities in how the Administration compensates (mostly Native American) uranium miners with deadly diseases and high doses v. media famous plutonium subjects without obvious health effects could be significant.

THE PRESIDENT HAS SEEN
1-13-97

THE WHITE HOUSE

WASHINGTON

December 31, 1996 97 JAN 4 PM 1:29

I don't believe all these recommendations - can these many campaign names

MEMORANDUM FOR THE PRESIDENT

THROUGH: LEON PANETTA
CHIEF OF STAFF

FROM: JACK QUINN
COUNSEL TO THE PRESIDENT

DAWN CHIRWA
ASSOCIATE COUNSEL TO THE PRESIDENT

TREY SCHROEDER
ASSISTANT COUNSEL TO THE PRESIDENT

SUBJECT: Denial of Pardon Requests

We have received the Justice Department's recommendations against pardons after completion of sentence for the petitioners listed below. After a review of the Pardon Attorney's memoranda summarizing each case, we have concluded that denial of these petitions is appropriate.

We will transmit your denial of the petitioners' requests for pardon in the following 51 cases unless you indicate that you want additional information on any of the cases listed. For your information, there is only one case from Arkansas, a petition from Orben Dale Stills.

Lawrence Mark Baldwin	Illinois
Ode Junior Barnes	Texas
Rose Marie Baron	Washington, D.C.
Steven Willer Bernstein	Louisiana
Fred Earl Bolden	Iowa
Rex Lee Brewer	California; Arizona
Myra Broadnax	Delaware
Alberto Britton	Florida
Charles Clifford Brooks, Jr.	Georgia
Charles Clifford Brooks, Sr.	Georgia

Adrian Furman Bulman	Northern Georgia
Adriano Cereneche	Veterans Administration
Susan Belson Chapman	Southern Texas
Robin Cole	District of Columbia
Freddie Day	Northern Georgia
Charles Jerry Denton	Eastern Tennessee
James Clyde Dismuke, Jr.	Middle Georgia
Patrick MacDonald Dockery	Western Missouri
Darrin Dean Dorn	Iowa
Lee Rogers Douglas	Middle Louisiana
Harlan John Duhon	Western Louisiana
Noemi Fernandez	Southern New York
Fred Phillip Gibson	Eastern North Carolina; South Carolina
Robert Louis Greco	Northern Ohio
Joseph Clide Grier	Middle Georgia
Norman M. Guthrie	U.S. Army -- Frankfurt, Germany
Ernest Buford Hamm	Eastern Tennessee
Irma Ann Hendrix aka Irma Ann Andrews	California
William A.S. Heuer	Montana
Adolfo R. Ibanez	Southern Texas
David Alexander Mayfield, III	Middle Florida
Scott Samuel Monroe	Eastern Texas
Thomas Edward Nash, Jr.	North Carolina
Robert Earl Perry	Northern Texas
Amy Christine Post	Southern Iowa
Calvin Puckett	Northern Florida
Edmund Michael Reggie	Western Louisiana
Curtis John Roberts	Eastern Louisiana
John Lee Robertson	Western Tennessee
Jay Marvin Sandler	Northern Georgia
Walter F. Schuerer	Northern Iowa
Daniel Joseph Sheil, Jr.	Southern Florida
Gary Lee Sorgea	Southern Illinois
Ronald Xavier Spinapolice	New Jersey
Orben Dale Stills	Western Arkansas
Eric William Sundquist	Western Washington
Montrel August Surgent	Eastern Louisiana

Raymond Charles Tennyson	Pennsylvania
Willis Gregory Tilford	Delaware
James Benton West, Jr.	U.S Air Force Academy, Colorado
Carl Eugene Wright	Missouri

DECISION:

DENY: _____
(Signature)

GRANT: _____
(Signature)

MORE INFORMATION: _____
(Signature)

THE PRESIDENT HAS SEEN
1-13-97

THE WHITE HOUSE

WASHINGTON

December 31, 1996

'97 JAN 4 PM 1:28

I'd like information on Tommy Edwards and Rachell Tucker

MEMORANDUM FOR THE PRESIDENT

THROUGH: LEON PANETTA
CHIEF OF STAFF

FROM: JACK QUINN
COUNSEL TO THE PRESIDENT

DAWN CHIRWA DNC
ASSOCIATE COUNSEL TO THE PRESIDENT

TREY SCHROEDER RWS
ASSISTANT COUNSEL TO THE PRESIDENT

SUBJECT: Denial of Commutation of Sentence Requests

We have received the Justice Department's recommendations against commuting the sentences and/or remitting the fines of the petitioners listed below. After a review of the Pardon Attorney's memoranda summarizing each case, we have concluded that denial of these petitions is appropriate.

We will transmit your denial of the petitioners' requests for commutation of sentence and/or remission of fines in the following 196 cases unless you indicate that you want additional information on any of the cases listed. For your information, there are two cases from Arkansas, petitions from Tommy Earl Edwards and Rachell Tucker.

Ghulam Abbas	Maryland
Saul Acosta	Missouri
Henry N. Addington	California
Prince John Ahenkorah	New York
Isiaka Akande	New York
Alejandro Almonte	Illinois
Ricardo Alvarez-Perez	California
Lang Gillford Ange, Jr.	Virginia
Ann Armstrong	Texas
Willie Gregory Atkinson	Texas

Jesus Baez, aka Emeterio de Jesus Valdez	Maine
Carmen Rosa Behety	Florida
Mercedes Belmonte, aka Mercedes M. De Bemonte	Florida
Ramon Benitez-Duarte	California
Donald Benally	Arizona
Arthur J. Beshaw	Vermont
Michael B. Blackwell	Tennessee
Iotis Blanson	Louisiana
Jaime Blas	Wisconsin
Bardon Blizzard, Jr.	Virginia
Juan C. Botero-Jimenez, aka Juan C. Botero	Florida
J.V. Britt	Washington
Michael G. Brosch	Michigan
Diego Fernando Buenaventura-Sorria	New York
William A. Burchett	Kentucky
Giovanni Caicedo	Texas
Lawrence Caldwell	District of Columbia
Ancizar Calle	Florida
Humberto Calvo-Quintero	Florida
Russell L. Carter	California
William Joseph Cecchetti	Maine
Enrique Cepeda-Ramos, aka Enrique R. Cepeda	Michigan
Albert F. Cesar	Oklahoma
Lester Christie	Florida
Johnson Okackuku Chukundah	Virginia
Thomas A. Cicalese	West Virginia
Charlton D. Clay	Missouri
Jeremy Adam Clayton	Florida
Carol L. Cohn	Texas
Wilson Ferrel Collins	Utah
John Michael Conlon	Texas
David Contreras-Matos	Hawaii
Jesus M. Coronel, aka Jesus Coronel Montes	California
Mariano Corrales-Encina	Arizona
David Correa	Pennsylvania
James Donald Cotharn, Sr.	Texas
Jacqueline Gean Cox	California

Joseph F. Crump	New Jersey; Pennsylvania
Derek Dion Curtis	Maryland
David M. Dale	District of Columbia
Magill A. DeJesus	California
Edwin E. Diaz	Florida
Luther Cortez Duncan	Indiana
Ramon Elias Duque	Florida
Scott Matthew Dwyer	California
Tommy Earl Edwards	Arkansas
Janet Mitchell Eli	Texas
Zaragoza Escobedo	Texas
Arnaldo Espinosa	Wisconsin
Cesar Espinosa	Florida
Larry D. Everett	District of Columbia
Edwin Faeges	Ohio
Agustin Fernandez-Ramon	Arizona
Pontus Bjorn-Joakim Fjallstam	Missouri
Ana Delia Flores, aka Ana F. Rodriguez-Andrades	New York; West Virginia
Jose Raul Flores-Benavidez	California
Richard James Forbes	North Carolina
Rodolfo Fromenta	Florida
Joe E. Fryar	Louisiana
Juan Antonio Fuentes	Texas
Modesta Garcia	Tennessee
Gregorio Garcia	Florida
Jean Marie St. Gelais	Texas
Dennis St. Gelais	Texas
Richmond Calvert George	Tennessee
Verlyn George	Virgin Islands
Victor Gomez	New York
Louis Goss	New York
Ralph R. ("Rocky") Graziano	Pennsylvania
James Griffin	Oregon
Gonzalez Guillermo-Garcia	New York
Hafiza Habhab	New York
Alex Hamilton, Jr.	Louisiana
Gebran Hanna	Massachusetts
Shamsul Haq	New York
Lenny Hart	Colorado
Yancy Hawkins	California
Kenneth T. Hayward	Illinois

Bert Uriah Heath	Utah
Walter Elias Hernandez	Florida
Steven H. Harrelson, Jr.	North Carolina
Albert E. Hicks	Florida
Herschel Hicks, Jr.	Florida
Randy G. Hodges	Connecticut
Eddy (aka "Eddie") Horne	Georgia
Erlinda Diane Houston	Texas
Larry Marcell Houston	California
Lester L. Hummer	Virginia
Carlos Ibanez, aka Carlos Ibanez Mendez	New York
William H. Jervis	Nevada
David L. Johnson	Alabama
Leroy Johnson	Michigan
Darla Denean Jones	West Virginia
Carol Wells Jones	Missouri
Donnie S. Jowers	Georgia
Robert Leroy Kelly, Jr.	California
Thomas Cameron Kincade	California
Enrique Lara-Chavez	California
Bonnie Laurino	Illinois
Paul LaVista	Washington
John H. Lea, Jr.	Virginia
Aaron W. Lee, Sr.	District of Columbia
Gabriel Londono-Cardona	New York
Nancy Lopez	Florida
Sylvia Lopez	Texas
Matthew Lyons	District of Columbia
Alicia R. Magallan	Indiana
Terry L. Malbrough	Texas
Austin Hillman Marks	Missouri
Marta Marquez	Pennsylvania
Belkis Martinez	Florida
Hudson T. Mayberry	New York
Floyd Mayweather	Michigan
Diego Fernando Mejia	Texas
Edward Mena	Puerto Rico
Mauro A. Mendoza	New Mexico
Robert J. Meyer	Pennsylvania; New York
Stuart M. Miller	Pennsylvania
Vito Miulli	Illinois
Victoriano Molina-Chacon	New York

Hector L. Morey	Hawaii
George Douglas Neville	Illinois
Cielo Nieves	New York
Terry Nathan Norman	Illinois
Reginald Levell Odom	Mississippi
Rodney Ogagba	Texas
Matthew Enoyoje Onaghise	California
George Opoku	New York
Maria Lucila Palacio-Ramirez	Florida
Edgar Rolando Palomo	Texas
Hector Pena-Coronado	California
Candi Anne Pennington	Missouri
Jorge Perez-Rayo	Texas
David L. Perron	Michigan
Gilberto Pinto, aka Gilberto Pinto Saurith	New York
Belton Lamont Platt	North Carolina
Loranza Verne Powell	California
Beatriz Hermoza Pulido	Texas
Lee Andrew Qualls	Michigan
Maria Isabel Razo	Texas
Craig A. Reed	Kentucky
Ronald Rewald	Hawaii
Juana Reyes	Florida
Christopher Kent Riendeau	Georgia
William Michael Riendeau	Georgia
Guillermo Rivera	New Mexico
Christopher M. Robinson	Massachusetts
Eugenio Rodriguez	Florida
Michael Dwayne Rogers	Mississippi
William Saenz	New York
Ivan Sanchez-Perez	Puerto Rico
Richard R. Sandt	Pennsylvania
Yolanda Sayers	Texas
Donna Jean Schlicker	Michigan
Michael Julius Sheek, aka Michael Presley	South Carolina
Abdul K. Shyllon	District of Columbia
William George Smith	California
Ronald Wayne Spear	Oregon
Thomas Spinks	Maryland
Evans H. Starke	Florida
Albert Stoelhorst	Florida
Jerome A. Susskind	Michigan

Raymond Kenneth Swanson	Oregon
Kodzo Tchikou	New York
Douglas Thomas	West Virginia
Tyrone Thompson	Ohio
Ulysses Tines, Jr.	Tennessee
Gerardo H. Tirado-Torres	Puerto Rico
Carlos Tobar	Puerto Rico
Barbara H. Torgerson	Texas
Vernon D. Torgerson	Texas
Deborah K. Troxell	Illinois
Rachell Tucker	Arkansas
Ketty Turino	New York
Richard C. Tususian	New Jersey
Abraham Valencia-Codognotto	Louisiana
Raymundo Venegas	Texas
Barbara Waddell	Ohio
Jo Ellen Walley, aka Jo Bryant	Alabama
Kenneth D. Warth	Kentucky
John Werner	Pennsylvania
David L. Wildes	Maine
Stephanie Wilson	Texas
John W. Wilson	Illinois
Darrell L. Wiltz	Texas
Yehuda Yarden	Massachusetts

DECISION:

DENY: _____
(Signature)

GRANT: _____
(Signature)

MORE INFORMATION: _____
(Signature)

THE PRESIDENT HAS SEEN 1-13-97

U.S. 'Micro-Managing' Talks, Palestinians Say

■ Mideast: Arafat envoy tells Washington to focus on big issues and to not press Arabs to retreat from accords signed in 1995.

By NORMAN KEMPSTER
TIMES STAFF WRITER

WASHINGTON—Palestinian Authority President Yasser Arafat sent a senior official here Thursday to complain that U.S. mediators are trying to "micro-manage" the Middle East peace talks and are pressing the Palestinians to retreat from accords signed in 1995.

The visit by Hanan Mikhail-Ashrawi, the Palestinian Authority's minister of higher education, underlined the Clinton administration's difficulty in reviving the stalled peace process.

Ashrawi said she plans to remain in Washington through the weekend to urge the administration to stop trying to broker a compromise over redeployment of Israeli troops in the West Bank city of Hebron.

She argued that the United States should instead insist that Israeli Prime Minister Benjamin Netanyahu's government comply with the peace pact signed by the previous Israeli government.

State Department spokesman Nicholas Burns dismissed Ashrawi's comments as "extraordinarily unwise."

But the exchange emphasized the precarious U.S. role in the deadlocked Hebron talks, which both sides consider the key to future peace negotiations.

Although one senior U.S. official recently conceded that the biggest problem in mediating between Israelis and Palestinians "is that the level of trust is so low," the administration has not changed its approach since June, when Netanyahu took power. His government replaced that of Prime Minister Shimon Peres, which had established a rapport with the Palestinians.

Under the Israeli-Palestinian framework, signed on the White House lawn in September 1995, Israeli troops were supposed to have withdrawn last March from most of Hebron, the only predominately Palestinian West Bank city still occupied by Israel. Although both sides say they are ready to complete the redeployment, they have reached an impasse on related issues, especially the schedule for the final withdrawal of Israeli forces from most of the West Bank.

The 1995 pact specified that the withdrawal should be completed by September. U.S. officials here said Thursday that Israel has proposed postponement to the end of 1999, while the Palestinians have agreed only to allow the schedule to slip until the end of this year. In a split-the-difference compromise, U.S. mediator Dennis Ross has suggested the end of 1998.

"The mediator should not try to compromise an agreement that was already signed and witnessed," Ashrawi told a meeting here sponsored by the Center for Strategic and International Studies.

To suggestions that the Palestinians were prolonging the occupation of Hebron by balking at Israeli terms for redeployment, Ashrawi said: "If the Israelis want to behave like occupiers, let them do it without our blessing. We will not sign away our rights."

She said Ross has urged the Palestinians to recognize that pressures on Netanyahu from nationalistic members of his Cabinet make it difficult for him to make concessions. In response, she said the Israeli prime minister faces "internal pressures, but he has to deal with them. We should not be asked to pay the price."

Both the Israelis and the Palestinians have complained that the other side often tries to reopen issues supposedly settled. And both sides have often accused the United States of favoring the other.

But Ashrawi's complaint was not just the usual charge of bias. She argued that U.S. officials are failing to deal with core issues because they are too tied up in minutiae. She said, for instance, that Ross is trying to mediate matters as mundane as placement of parking lots near the Hebron cave that both Jews and Muslims revere as the burial place of Abraham.

U.S. officials insisted that the administration will keep to its course. "I don't believe you are going to see a fundamental transformation in the way we deal with Israel," a senior official said.

Japanese Stocks Plur

From Times Wire Services

TOKYO—Japanese stocks plunged, taking the benchmark Nikkei 225 stock index below 18,000 for the first time in 14 months amid concern that bad loans at banks and other lenders will hobble economic growth.

The Nikkei 225, the market's key index, racked up its largest one-day fall in two years, shedding 4.28% of its value in trading today.

After plunging more than 950 points with less than an hour of trading left, the benchmark Nikkei average of 225 leading companies managed to regain some ground by

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To Shirley Rise
Per our discussion
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January 10, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: **KITTY HIGGINS**

SUBJECT: **Summary of Cabinet Weekly Reports**
January 3 - 10, 1997

DEPARTMENT OF TREASURY

- **Turkey:** On January 14, Secretary Rubin will meet with State Minister Adak of Turkey's governing Islamist Refah Party to discuss Turkey's economic prospects and policies. Turkey continues to suffer from economic mismanagement -- key advisors in the Refah Party have only a limited grasp of market economics and mistrust the kind of economic reforms that can put Turkey on a sustainable growth path. Treasury has initiated contact with the Refah effort to educate Erbakan's economic advisors on major elements of fiscal reform and convince them that the U.S. has a genuine interest in seeing Turkey establish a solid record of sustainable economic growth.

- **Bosnia:** On January 12, Assistant Secretary Lipton, along with representatives from State, will attend the Economic Policy Forum in Sarajevo. The purpose of the Forum is to map out an economic strategy for Bosnia and Herzegovina for the months ahead. Bosnian State and Entity ministers will attend, as will representatives of the World Bank, IMF, the EU and OHR.

- **Black Colleges:** The closing of the Bethune-Cookman College loan has been delayed over certain legal issues. Treasury does not expect a closing on the $12.53 million loan to occur until early February. The loan proceeds will be used to renovate classrooms and build a new student center and dormitory.

THE PRESIDENT HAS SEEN
1-13-97

- **Privatization:** During the last several weeks, Treasury has worked closely with OMB on several potential privatization proposals to be included in your budget proposal. Treasury will continue to work with OMB to develop Administration privatization policy and oversee the privatization projects in which it is currently involved:
  - **Connie Lee:** On January 6, Treasury entered into a contract with Salomon Brothers to conduct a binding appraisal of the common stock of Connie Lee held by DOEd. Treasury will provide oversight of the appraisal process and negotiate with Connie Lee for the closing documents for the sale of the stock. Proceeds will be available for school construction in D.C.
  - **Sallie Mae:** Treasury received its first $400,000 semiannual payment from Sallie Mae to reimburse Treasury for its Congressionally-mandated Sallie Mae oversight activities which included monitoring financial safety and reorganizing enterprise operations.

- **International Currency Audits:** On January 13, a Treasury audit team will begin the first 1997 International Currency Audit with visits to cities in Thailand, Cambodia, Indonesia and Singapore, where they will meet with officials from the government, banks, and law enforcement. The trip is designed to assess the amount of counterfeit U.S. currency in circulation, while enhancing anti-counterfeiting efforts by foreign countries. On January 26, a second audit team will depart for Brazil, Paraguay and possibly Peru.

- **Columbian Narcotics Traffickers:** The Office of Foreign Assets Control has published a final regulation that will block the property of 57 drug traffickers, some of whom are U.S. citizens, and 21 businesses connected with the Cali Cartel. The regulation, which implements an Executive Order, is likely to result in litigation brought by U.S. citizens whose property is blocked.

- **Card Clubs:** The Financial Crimes Enforcement Network has published a proposed regulation that would extend the Bank Secrecy Act (BSA) reporting and recordkeeping requirements to gaming institutions popularly known as card clubs. Card clubs are similar to casinos except the players bet against each other instead of the house. They are particularly popular in CA. Like casinos, they offer financial services, including customer deposit or credit accounts, transmission and receipt of funds, and check cashing and currency exchange. For this reason, card clubs are as vulnerable to money laundering as traditional casinos, which have been covered by the BSA since 1985.

THE PRESIDENT HAS SEEN
1-13-97

- **Inflation-Indexed Securities:** On December 30, Treasury released the final terms and conditions for inflation-indexed securities which clarified the circumstances under which a change in the Consumer Price Index (CPI) would cause Treasury to choose a substitute index. Reactions from market participants to these clarifications have been positive. On January 21, Treasury will release the official offering announcement, including the amount of notes to be auctioned. On January 29 the first auction of inflation-indexed notes will occur. Treasury continues preparations for the auctions which include marketing presentations to investor conferences and finalizing the appropriate accounting and debt limit treatment for the new securities.

- **Community Reinvestment Act:** On December 19, the Federal Reserve Board approved the first strategic plan designed by a bank for complying with the Community Reinvestment Act (CRA). The four-year plan includes specific goals for making mortgage, small business and community development loans. If the bank meets 90 percent of its goals, it will receive a satisfactory rating. On December 23, the FDIC approved a strategic plan for a bank in TX. The bank regulators' actions are likely to encourage other banks to develop strategic plans for meeting their CRA lending and investment commitments. In December, the Federal Reserve Bank of KS reported that in a recent survey of small Midwestern banks examined under the new Community Reinvestment Act regulations, nearly 90 percent indicated the exams were less burdensome. About 40 percent indicated they had incurred additional costs.

- **Airport Trust Fund Hearing:** On February 4, the Senate Finance Committee is contemplating holding a hearing regarding the airport and airway trust fund excise taxes (the 10 percent passenger ticket tax, the 6.25 percent cargo waybill tax, and the $6-per-person international departure tax), which expired on December 31.

- **Secretary's Schedule:** Secretary Rubin will particpate in the following events:
  January 13 - Deliver remarks at the International Development Conference.
  January 14 - Meet with the Turkish State Minister, Fehim Adak.
  January 16 - Meet with Chairman Greenspan.
  January 17 - Address the U.S. Conference of Mayors.

DEPARTMENT OF COMMERCE

- **Biological Weapons Convention:** During January 13-14, there will be bilateral discussions with the Japanese in Tokyo on the Biological Weapons Convention (BWC). Japan has concerns about the protection of confidential business information, loss of national security information, and the overall costs of an intrusive verification regime.

- **German Firm's Illegal Shipments to Libya:** On December 18, BXA denied the export privileges of Doornbos GmbH of Solingen, Germany, and its general manager, Helmut Korelski, in settlement of allegations that they violated the Export Administration Regulations by their involvement in shipments to Libya of U.S.-made machine parts and construction equipment. Korelski, acting for Doornbos, acquired the goods in the U.S., claiming that their ultimate destination was Germany, when in fact he sold the goods to the Dong Ah Consortium for use in Libya. An order denying export privileges prohibits the person or entity from participating in any export transaction involving items subject to the Export Administration Regulations.

- **UN Sanctions against Iraq:** The International Trade Administration's (ITA) Office of the Near East is working with an interagency group (State, UN, Treasury, BXA, National Technical Information Service and CIA) to make available to U. S. businesses the list of products the Iraqis want to purchase with the oil they are exporting in exchange for food and other humanitarian needs. The list is expected to be on DOC's Middle East North Africa World Wide Web page early in January with a fact sheet on U.S. and UN procedures and regulations.

- **Publication of Encryption Regulation:** On December 30, the *Federal Register* published the Bureau of Export Administration's (BXA) interim rule that transfers certain encryption items from the U.S. Munitions List to the Commerce Control List. State simultaneously published a rule amending the U.S. Munitions List to reflect the transfer. These actions implement the Administration's initiative to promote a worldwide key management infrastructure with the use of key escrow and key recovery encryption items. To provide for a transition, this rule permits the exportation and reexportation of 56-bit key length data encryption standard (DES) or equivalent strength encryption items under the authority of a license exception, if an exporter makes satisfactory commitments to build or market recoverable encryption items and to help build the supporting international infrastructure. The policy will apply to hardware and software. The rule was effective upon publication but is in "interim" form with a 45-day public comment period.

- **The following economic indicators will be released during the next two weeks:**

Advance Retail Sales (December)	January 14
Manufacturing and Trade: Inventories and Sales (November)	January 15
Quarterly Financial Report for Retail Sales (3rd Q)	January 15
U.S. International Trade in Goods and Services (November)	January 17
Housing Starts and Building Permits (December)	January 22
Housing Vacancies (4th Q)	January 23

THE PRESIDENT HAS SEEN
1-13-97

- **Secretary's Schedule:** On January 13-20, Secretary Kantor will have interviews with the *New York Times*, Charlie Rose and the *Wall Street Journal*.

DEPARTMENT OF LABOR

- **Monthly Employment Situation:** On January 10, Secretary Reich released the national employment and unemployment report for December.

- **Disaster Grants:** This week, DOL's Employment and Training Administration (ETA) provided funds to CA for disaster assistance. CA submitted a request for $25 million in disaster-related funding and ETA has provided one-third of the request immediately while the disaster assistance needs are evaluated. The Vice President made this announcement in CA.

- **Mine Safety:** 1996 was the safest year ever for coal mining in the United States. Coal mining deaths on the job were the lowest ever, down to 38 from a previous record low of 45 in 1994. The *Los Angeles Times* and local papers from coal-producing regions reported this year's historic low in coal mining deaths.

- **Dear Resigns:** On December 20, Assistant Secretary of Labor for Occupational Safety and Health, Joseph A. Dear, announced that he was resigning to become chief of staff to the governor-elect of WA.

Grants: Later this month, DOL's Employment and Training Administration will announce the following grants: the Cass Civilian Conservation Center in Ozark, AR, will receive $2.3 million; the Dayton Job Corps Center in OH will be awarded $1.2 million; and the Assist Dislocated Monterey Coal Workers in IL will receive $4.1 million. The Employment and Training Administration will also issue two grants totaling $1.1 million for dislocated workers in MD.

- **Consumer Price Index:** On January 14, the Bureau of Labor Statistics will release the Consumer Price Index for December.

- **Consumer Price Index:** During the last week of January, Bureau of Labor Statistics Commissioner Abraham will testify before the Senate Budget and Finance Committees about proposed changes in the CPI.

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DEPARTMENT OF TRANSPORTATION

- **CA Flood Grants:** On January 10, the Vice President, joined by FHWA Administrator Slater, released $45 million in federal highway emergency relief funds to begin repairs on highways and bridges damaged by the flooding in CA, ID, NV, OR and WA.

- **TWA Rescue Personnel Ceremony:** On January 13, Secretary Peña will attend a ceremony in East Moriches, NY, to honor Coast Guard and local emergency personnel who assisted in the TWA Flight 800 recovery. Bob Francis from NTSB, James Kallstrom from the FBI and several local organizations will receive awards. Senators from NY and NJ, Governor Pataki, and local officials have been invited. The Secretary will deliver a message from you.

- **Alameda Corridor:** On January 17, Secretary Peña will hold a signing agreement ceremony in Washington, D.C., to execute DOT's $400 million loan to the Alameda Corridor Transportation Authority (ACTA). Mayor Riordan and Mayor O'Neill are expected to attend. DOT has concluded negotiations with ACTA and has submitted the final loan documents for OMB review.

- **Peña Farewell:** On January 17, DOT employees will have an official Goodbye Ceremony for Secretary Peña at the National Air and Space Museum in Washington, D.C.

- **Aviation Security Conference:** On January 13, the International Conference on Aviation Safety and Security in the 21st Century will be held. This Conference is co-sponsored by the White House Commission on Aviation Safety and Security and George Washington University.

- **ValuJet:** On January 8, the FAA authorized ValuJet to add three DC-9 aircraft to its fleet. The addition of the aircraft to ValuJet's operations followed a complete records review and conformity check of each aircraft by ValuJet personnel and FAA aviation inspectors.

- **Historic Civil Rights Route:** On January 15, the 68th anniversary of Martin Luther King Jr.'s birth, Secretary Peña, Secretary Babbitt, and Administrator Slater will witness a signing of an MOU that will lay the groundwork for assistance by both departments to the historic Selma to Montgomery Voting Rights Trail along U.S. Route 80 in AL.

DEPARTMENT OF JUSTICE

- **Domestic Violence Gun Control Act:** On December 26, three deputy sheriffs and a deputy sheriffs' labor union filed suit challenging the constitutionality of the recent amendments to the Gun Control Act that prohibit any person convicted of a "misdemeanor crime of domestic violence" from carrying a firearm. The three individuals have been relieved of their firearms and stand to be demoted and/or lose their jobs in the next 90 days. They claim that the statute violates the Commerce, Equal Protection, Due Process, and Ex Post Facto clauses of the Constitution.

- **Fugitive Website:** On December 13, DOJ announced the activation of the Office of International Affairs World Wide Web Site, an Interagency International fugitive Lookout homepage. The address is: http://www.usdoj.gov/criminal/oiafug/fugitives.htm.

- **Amoco Foreign Tax Credit:** On January 16, DOJ will file a brief in the Seventh Circuit in Amoco Corporation and Affiliated Corporations v. Commissioner. This case involves Amoco's claim to more than $1 billion in foreign tax credits in connection with its operations in Egypt during 1979-82.

- **Presidential Deposition Videotape:** U.S. v. McDougal. Your deposition was played in open court and transcripts were immediately made available to the public. News organizations and a political group claimed a First Amendment and common law right of access to the videotape itself. DOJ opposed that request because it would undermine the compromise whereby Presidents have in the past agreed to provide evidence in criminal proceedings by special arrangement. The district court denied the request for access. The requesters appealed, and the Eighth Circuit affirmed the district court's decision, issuing a judgment in DOJ's favor immediately after oral argument. The panel (McMillian, Gibson, and Magill) has now issued its opinion. The court largely tracked DOJ's argument, finding no First Amendment right of access to such a videotape, and finding no misuse of the district court's discretion, given the threat to the practical arrangement used here and in other cases to obtain Presidents' testimony. The court also cast doubt on whether the videotape at issue should even be considered a judicial record for access purposes.

- **Elected Official Drug Testing Policy:** On January 14, argument will be heard in Chandler v. Miller, in which DOJ filed an *amicus* brief, but did not seek argument time. DOJ addressed only whether the Fourth Amendment is offended by a GA statute requiring candidates for certain state offices, as a condition of qualifying for the ballot, to certify that they have tested negative for drugs. DOJ argues that a State's interest in

THE PRESIDENT HAS SEEN
1-13-97

ensuring that drug users do not serve in high government positions with significant responsibility for law enforcement, including the enforcement of drug laws, outweighs a candidate's legitimate expectation of privacy.

- **GE Patent Infringement:** Eleventh hour negotiations averted a suit against the General Electric Company (GE) for patent infringement. NIH owns a patent for an enhancement of magnetic resonance imaging (MRI). GE makes and sells MRI machines including this capability, but GE refused to accept a license under the NIH patent arguing that its machines used techniques developed prior to the patent. On January 2, NIH asked DOJ to bring suit against GE. After negotiations produced little progress, DOJ informed GE that we would file suit. On December 31, GE agreed to purchase a license from NIH.

- **Health Care Fraud Guidelines:** Attorney General Reno and Secretary Shalala agreed upon a Health Care Fraud and Abuse Control Program and Guidelines as required by the Health Insurance Portability and Accountability Act of 1996. The program and guidelines are not public, but will be distributed in the near future to law enforcement and interested others. They emphasize process and broad goals, and cover (1) coordination of Federal, State, and local law enforcement programs to control fraud and abuse; (2) investigations, audits, evaluations, and inspections relating to the delivery of and payment for health care; (3) enforcement of the civil, criminal and administrative statutes applicable to health care; (4) industry guidance, including advisory opinions, safe harbors, and special fraud alerts relating to fraudulent health care practices; and (5) establishment of a national data bank to receive and report final adverse actions against health care providers.

- **Louisiana Attorney Conduct Provision:** On December 23, the U.S. filed suit against the La. Supreme Court and the La. Bar Association, among others, seeking a declaration that a La. ethics rule governing subpoenas issued to lawyers is unconstitutional. The challenged ethics rule imposes special requirements on all attorneys licensed to practice by the La. bar, including federal prosecutors, who seek to subpoena a lawyer to appear in a grand jury or other criminal proceeding. The requirements include obtaining prior judicial approval of the subpoena after a hearing. The complaint alleges that this rule conflicts with federal rules of criminal procedure and interferes with the conduct of federal criminal investigations and prosecutions, and that such application is preempted by the Supremacy Clause of the Constitution. The suit asks the court to invalidate the rule as it applies to federal prosecutors and to permanently enjoin the state bar from enforcing the rule against federal prosecutors.

THE PRESIDENT HAS SEEN
1-13-97

- **Nuclear Weapons:** On December 12, Judge Mechem of NM dismissed all claims against the government (seeking $106 million) on the grounds that they were barred by the Federal Tort Claims Act's independent contractor and discretionary function exceptions. Schwartzman v. ACF Industries, et al. arose out of alleged contamination of the groundwater beneath plaintiff's property adjacent to the South Albuquerque Works, the site of a facility that produced nuclear bomb casings between 1954 and 1967 for the Atomic Energy Commission (AEC). In 1967, the AEC transferred the facility to the Air Force, which contracted with the General Electric Company to produce aircraft engines in support of the Vietnam War. The Court dismissed, finding that the U.S. left day-to-day operation of the plant to its contractors and that any negligence would have been that of the contractors.

- **Attorney General's Schedule:** On January 13, the Attorney General will attend a *Wall Street Journal* Group luncheon. On January 15, the Attorney General will address the Birmingham Civil Rights Institute.

- **Media Inquiries:**
  - *Time* magazine is working on a story on whether the Cabinet reflects America.
  - Knight-Ridder is working on an article on health care fraud and federal efforts to address the problem.
  - The *Washington Post*, *Richmond Times Dispatch*, and *American Banker* are doing stories on Deval Patrick.
  - Deval Patrick will appear on the *Jim Lehrer Newshour*, *Armstrong Williams* show and *Court TV*.
  - *ABC News* is working on a one hour program about medical marijuana.

UNITED STATES TRADE REPRESENTATIVE

- **Telecom Negotiations:** Ambassador Barshefsky will continue calls to the CEOs of U.S. telecommunication firms to build support for the WTO telecom agreement. The agreement is scheduled to be concluded by February 15.

- **Brazil Autos:** On January 10, USTR requested WTO consultations with Brazil on her auto regime. After initiating its Section 301 investigation into Brazil's practices in October, USTR delayed implementation for up to 90 days to explore a bilateral solution. Brazil has rejected the proposed solution and has offered no counterproposal. The 90 day period expired on January 10.

- **Fast Track:** Ambassador Barshefsky continues to lay the foundation for seeking fast track negotiating authority early this year. The issue has gained momentum on Capitol Hill. In a speech to the U.S. Chamber of Commerce on January 8, Senator Trent Lott indicated that he would take early action on a fast track bill. Congressman Crane also commented that fast track would be a top priority.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Mental Health Costs:** Each year, approximately 5.5 million Americans are disabled by severe mental illnesses, such as schizophrenia, manic-depressive illness, and severe depression disorders, according to the Substance Abuse and Mental Health Services Administration. Mental health treatment costs are estimated at $70 billion annually, or 10 percent of total U.S. health care costs. It is estimated that $27 billion a year is spent on depression alone, with $17 billion lost due to time away from work. Major depression accounts for more lost work than any other health disorder, except cardiovascular disease.

- **TennCare Expansion:** On January 13, HHS will approve an expansion to TN's managed care Medicaid health plan, TennCare, that will offer insurance to any uninsured child under age 18. TN predicts that up to 67,000 children may be added.

- **Prescription Drug Information:** Next week, Secretary Shalala will accept a plan for the distribution of useful written information to recipients of prescription drugs. Last August's FDA Appropriations Act mandated that a private-sector consortium of national organizations be formed to propose an "Action Plan for the Provision of Useful Prescription Information." This plan offers methods for achieving statutorily mandated goals of distributing useful information to 75 percent of individuals receiving new prescriptions by the year 2000, and to 95 percent by the year 2006. There will be significant Congressional interest in the Secretary's response.

- **Transplacental Carcinogenesis of AZT:** On January 14, NIH will sponsor a meeting to review the available data from two studies in mice on the transplacental carcinogenicity of AZT. The meeting is open to the public and will bring together a multi-disciplinary panel of individuals to discuss research issues, treatment recommendations, clinical trial decisions, and public health policy.

- **Mammography Committee:** On January 13-15, the National Mammography Quality Assurance Advisory Committee will discuss draft final rules for implementing the Mammography Quality Standards Act of 1992. FDA has received about 1,800 letters containing some 8,000 comments on various details of regulatory proposals published by the Secretary last April.

- **Pediatric AIDS Drug:** On January 7, FDA made available the first protease inhibitor drug specifically targeted for HIV-infected children. Viracept, which is being evaluated by FDA for marketing for children and adults, will be available to children through an expanded access program, the first time a protease inhibitor will be available for use in children. A program for adults has been in effect since September.

- **Breast Cancer Conference:** On January 21-23, NIH will sponsor a Consensus Development Conference on Breast Cancer Screening for Women Ages 40-49. The conference will bring together investigators who have conducted randomized clinical trials, epidemiologists, statisticians, radiologists, oncologists, and other experts, as well as representatives of the public, to discuss the latest data and analysis in an attempt to clarify the issues surrounding mammography for women in this age group.

- **Medicaid Redetermination Rule:** On January 13, Secretary Shalala will publish a final rule providing additional time for states to process redetermination of citizens' Medicaid eligibility within the new welfare-reform framework. This rule will protect states from the risk of loss of the federal portion of Medicaid funding if they encounter serious difficulty in meeting the redetermination time frames specified in existing regulations.

- **CT's Right to Sue Tobacco Firms:** On December 27, a Federal judge denied a tobacco industry bid to block CT's $1 billion lawsuit. The court will allow CT to sue tobacco companies to recover taxpayer money spent on treating smoking-related illnesses. The tobacco companies had argued that it was illegal to shift a state Medicaid burden onto out-of-state companies.

- **Accidental Iron Poisoning:** A final rule requiring a warning on iron-containing dietary supplement and drug products will be published shortly. The rule will require that products containing 30 milligrams or more of iron per dosage unit be packaged in plastic unit-dose packaging, rather than sold loosely in a container. The Secretary is issuing this rule because of a large number of acute iron poisonings, including deaths, in children under 6 years of age, attributable to accidental overdoses of iron-containing products.

- **Temporary Assistance to Needy Families (TANF) Notifications:** During the last week, SC's TANF plan was certified complete. The total number of certified plans is 26. As of January 6, plans have been submitted by 39 states, D.C. and one tribe.

- **Nursing Home Regulations:** The *Washington Post* has requested copies of all correspondence, records of meetings, internal memoranda, phone logs and other documentation of contact between the Office of the Secretary and the American Health Care Association, including but not limited to contact with Paul R. Willging, Bruce Yarwood or Alan D. Solomont, and between the Office of the Secretary and the White House related to nursing home regulations.

- **Medicaid Regulatory Issues:** The *Washington Post* has requested copies of all correspondence and points of contact between Secretary Shalala and her staff and HCFA Director Bruce Vladeck and his staff with Marvin S. Rosen, Alan Solomont and the American Health Care Association regarding Medicaid legislative and regulatory issues during 1995-96.

- **Embryo Research:** The *Chicago Tribune* has filed a FOIA request for information kept by NIH or the National Center for Human Genome Research (NCHGR) relating to research conducted by a contract employee in NCHGR's intramural program. The scientist's research agreement was terminated after NIH investigated allegations that the researcher was using NIH equipment and government-funded research fellows to do preimplantation diagnosis at Suburban Hospital, despite clear instructions on permitted research and prohibitions. The *Washington Post* and the *New York Times* have also made inquiries.

- **Organ Transplantation:** *Time* magazine has requested information on the number of organ transplants conducted in the United States, listed by transplant center and citizenship of the transplant recipient for 1990-96.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Washington Teachers Mortgage Program:** HUD's WA office, in partnership with the City of Seattle and Continental Bank, developed a mortgage insurance program to help teachers. The program allows homebuyers to combine in a single mortgage financing for home purchase and home improvements. Teachers include $2,500 of computer equipment when they finance a home purchase through the program.

- **Western Flood Assistance:** HUD and FEMA took action to help flood disaster victims in NV, ID and CA. HUD suspended certain regulatory and statutory requirements for Community Development Block Grant and HOME Investment Partnership programs to permit greater flexibility in the use of these funds. HUD also will allow western flood victims to eliminate down payment requirements for FHA loans on housing damaged by floods, and places a 90-day moratorium on foreclosures directly affected by the floods.

- **St. Petersburg Task Force:** Secretary Cisneros met with representatives of the Federal Interagency Task Force on St. Petersburg for a status report, while other members of the Task Force met with local representatives in St. Petersburg to discuss federal-local coordination. Secretary Cisneros will travel to St. Petersburg next week to meet with local representatives and to name the federal coordinator who will oversee agency efforts to address the city's economic and racial difficulties.

- **"One Strike" Public Housing Rules:** On December 30, HUD published an interim rule in the *Federal Register* regarding the "One Strike" policy for public housing authorities. The rule establishes procedures for tracking the implementation of strict eviction and screening guidelines, tracking and reporting crime-related problems, and ensuring that the PHA meets the goals of drug prevention or crime reduction programs funded by HUD.

- **Secretary's Schedule:** On January 13, Secretary Cisneros will travel to St. Petersburg, FL, to meet with community leaders about progress of the Federal Interagency Task Force on St. Petersburg. On January 14, HUD housing staff hold a conference on barriers to affordable housing, with representatives from the National Partners in Homeownership.

VETERANS AFFAIRS

- **Persian Gulf Veterans' Issues:** The release of the Presidential Advisory Committee's final report on Gulf War veterans' illnesses and the January 9 hearing generated considerable media attention on Persian Gulf veterans' issues. The report offered no evidence that exposure to chemical weapons or any other single culprit caused the illnesses. More media attention is expected from announcements of new research results from a CDC study of IA veterans, and the January 21 House Government Reform and Oversight Committee/Subcommittee on Human Resources and Intergovernmental Relations hearing. This will be the Subcommittee's seventh hearing on Persian Gulf War veterans' issues.

- **Health Care Funds:** Next week, VA expects to announce a plan for a more equitable distribution of health care funds among the states. Although some Members of Congress will be displeased by the action, it is necessary to correct an egregious imbalance. Members from the "winning" states will be angry about any extended delay, which could frustrate VA's ability to make necessary changes this fiscal year. The directors of each of the 22 Veterans Integrated Service Networks will then determine budget allocations for individual medical facilities within their Networks. The allocations are based on the number of veterans served within each Network and reflect the population shift to Sunbelt states.

SOCIAL SECURITY ADMINISTRATION

- **Social Security Report:** There has been significant media attention on the release of the Advisory Council's report. Continued media attention is expected over the next few weeks. *Newsweek* magazine will publish a cover story and ABC's *20/20* will air a segment. On January 29, the Senate Budget Committee has tentatively scheduled a hearing on the report.

- **Termination of SSI Payments for Substance Abusers:** Under a provision of law passed last March, individuals who had been receiving SSI payments as a result of drug addiction or alcoholism are ineligible for SSI as of January 1. To date, SSA has terminated payments to approximately 92,000 individuals.

- **Inspector General Hotline:** Since the official ribbon-cutting on November 25, more than 8,700 calls have reached the Inspector General's toll-free 800 telephone number. Most of the calls were redirected within SSA or to other agencies, since they did not involve fraud, waste or abuse. The IG has processed nearly 700 allegations, representing a 450 percent increase over the number processed during the 25 workdays preceding the ribbon cutting. The number of letters and other agency referrals received has doubled to 50 per week. Most allegations fall into one of four basic categories: Social Security number fraud (approximately 50 percent); Social Security program fraud (approximately 30 percent); other Social Security issues (approximately 10 percent); and various related employee issues (approximately 10 percent).

- **Earnings Report for Working Seniors:** Social Security beneficiaries under age 70 who continue to work and earn more than the exempt amount are required to file a report of their earnings with SSA so that the Agency can determine the correct level of benefits. As part of a Reinventing Government II initiative, SSA is revising its regulations regarding these reports. Under the proposed rule, SSA would use, in most

instances, form W-2 income tax information filed by the employer and/or the self-employment income tax return filed by the individual with the Internal Revenue Service as the annual report of earnings. This would eliminate the annual report of earnings form and the need for virtually all of the 1.3 million working beneficiaries to file a separate report of earnings with SSA. The estimated total reduction in the public reporting burden is 330,833 hours. The proposal was published on January 3. Following a public comment period, SSA expects to publish a final regulation by mid-April so that reports will not be required for the 1996 tax year.

DEPARTMENT OF INTERIOR

- **Yosemite Storm Damages:** Yosemite National Park is closed. The park is not ready to provide reliable cost data but it has sustained major damage to concessioner buildings and most valley campgrounds, trails and road bridges. The water wells, electricity transmission towers and sewage system have been damaged. The National Park Service estimates that park concessioners will lose $300,000 in revenue each day the park is closed. On January 6, about 500 concession employees were evacuated from Yosemite Valley due to the lack of both potable water and a functioning sewage system. Efforts focus on getting basic services back on line and on protecting park resources.

- **Oil Prices Valuation Rule:** Last week, the Minerals Management Service published in the *Federal Register* proposed amendments to regulations governing the royalty valuation of crude oil produced from Federal leases. The intent of the proposed rule is to reduce reliance on posted oil prices for royalty valuation, reflect true market value, provide certainty to all involved parties and provide maximum flexibility to adapt to changing market conditions. The proposed rule has been sent to OMB and NEC for review.

- **Northwest Floods:** DOI continues to track flood levels in WA, OR, CA and NV through the stream-gauging network. Field crews have been making repairs to the telemetry equipment as needed, but the network has suffered little damage so far and is providing essential flood data to the Corps of Engineers and National Weather Service. In CA, operation of the Bureau of Reclamation's Central Valley Project dams will remain in flood control mode for the next several weeks. All gates at Folsom Dam are fully operational. Both the city and county of Sacramento and the Sacramento Area Flood Control Authority are being kept apprised on the Folsom operations.

- **AZ Endangered Species:** On January 3, DOI listed the Sonora tiger salamander and two plants, the Huachuca water umbel and Canelo Hills ladies'-tresses, under the Endangered Species Act.

- **New BLM Head:** Deputy Assistant Secretary for Land Management Sylvia Baca has been named acting director of BLM following Mike Dombeck's departure. Secretary Glickman announced Michael P. Dombeck will serve as Chief of the Forest Service starting January 6. Dombeck has headed BLM as Acting Director since 1994.

- **Yellowstone Science:** In December, representatives of the major organizations participating in the Greater Yellowstone Area Science Collaboration met in Denver, CO, for the purpose of developing an information system to support Interior resource managers in the Greater Yellowstone Area. The information system being developed for the Yellowstone area will be an Internet-based system, available to Interior's resource managers, state and local governments, academia, and private stakeholders as well.

- **CA Butterflies:** DOI is reviewing a rule to list two southern California butterflies, the Laguna Mountains skipper and the quino checkerspot, as endangered species. DOI is under court order to decide on listing these species by February 1 and is working with private landowners.

- **CITES Conference:** On January 10, the U.S. Fish and Wildlife Service announced U.S. Government proposals to be taken up at the next Conference of the Parties of CITES (the Convention on International Trade in Endangered Species). Among the proposals now under consideration is the listing of Latin American bigleaf mahogany in CITES Appendix II, a move that would continue to allow trade but under a system of international standards implemented by exporting countries. On December 30, following an interagency meeting at which all agencies supported the listing except USDA, which abstained, DOI recommended to CEQ that the U.S. proceed with submission of this listing proposal. Other Appendix II proposals to be announced include listing a group of U.S. freshwater turtles, the timber rattlesnake and the Midwestern medicinal plant, goldenseal. The U.S. will also propose listing the sawfish group of marine fishes in CITES Appendix I, a move that would prohibit further commercial trade. Germany's recent request to join it and Russia in co-sponsoring the Appendix II listing of the world's sturgeons, in order to get control of the burgeoning illegal trade in caviar, will also be decided.

- **AR Bald Eagles:** Three more dead bald eagles were found in AR, one at Degray Lake, one at Lake Ouachita, and one at Lake Hamilton, bringing the eagle death toll in southwest AR to 19 since mid-November. Corps of Engineers and AR Game and Fish personnel continue to monitor the lakes and search for additional birds. There is speculation that the eagles may have ingested poison bait set out for coyotes.

- **Guam Commonwealth:** Guam's decade-long quest for commonwealth status received a significant boost recently. Following your meeting with Governor Gutierrez in mid-December, White House Chief of Staff Panetta met with Deputy Secretary Garamendi and Guam Delegate Robert Underwood and affirmed that the White House would focus on several key issues for decision: excess lands, immigration-labor and a joint commission. Deputy Secretary Garamendi is working closely with White House staff to bring closure to these issues before the inauguration.

- **Utah Monument Funding:** During negotiations last month, BLM and OMB reached an agreement on funding levels for FY98. BLM's budget was increased by $5 million for interim management and development of a management plan for the Grand Staircase-Escalante National Monument over the next 2 years. In mid-January, both minority and majority House Appropriations Committee staff are planning to visit the Monument. On January 10, officials from DOI, BLM and Governor Leavitt's office met to discuss the planning process.

- **Andalex Mine Proposal:** Following your designation of the Grand Staircase-Escalante National Monument, BLM temporarily halted work on the EIS at the request of the leaseholder, Andalex Resources. The Administration and Andalex are continuing discussions, as Andalex has expressed an interest in identifying alternative coal production locations in UT.

- **New World Mine:** By mid January, CEQ hopes to have a list of suitable properties to fulfill the commitments to Crown Butte based on the August 12 Agreement you signed with the company and environmental organizers. The deadline for presenting Crown Butte with a list of potential exchange properties is February 12. The Agreement calls for the U.S. to exchange $65 million in property or assets for Crown Butte's interest in the mine and for its agreement to cease development on the border of Yellowstone National Park.

- **Fee Reform:** A three-year recreation and fee demonstration program, authorized in the Omnibus FY97 Appropriations Act, took effect January 1. Visitors will to pay higher entrance and user fees in selected parks. The increased revenue will make funds available for repairs and improvements in the 47 participating parks identified to date. For example, managers of Yellowstone National Park and Grand Teton National Park estimate that their parks will together collect more than $10 million over 3 years. They have earmarked this revenue to pay for campsite renovations, specific natural and cultural resource programs and visitor center improvements.

- **Sterling Forest:** In February, NPS expects to sign an MOU with the Palisades Interstate Park Commission. This agreement will obligate the $9 million appropriated in FY97 and identify certain conditions for the future use of Sterling Forest.

- **ND Reservations:** DOI has received calls from the ND delegation expressing concern about several Indian reservations in the state that are suffering because of heavier-than-normal snow fall. It appears that most state, local and BIA roads have been cleared by the state or county. Tribal leaders have expressed concern that uncleared rural roads within the reservations may pose hardships for some tribal members. DOI is working with the delegation to assess the situation and develop a response.

- **Mexican Wolf:** On December 19, briefings were held on the release of the Final Environmental Impact Statement for reintroduction of the Mexican Wolf in the Southwestern U.S. Secretary Babbitt will make and publish a final decision on introduction after completion of a 30-day public review period. A Notice of Availability of the Final EIS was published in the December 20 *Federal Register.*

- **BLM Wild Horse Program:** On January 3, *AP* reported that "thousands" of horses in the BLM's wild horse adoption program were being systematically channeled to slaughterhouses by BLM employees. The story documented only 57 former BLM horses that had been slaughtered and offered no evidence that they had originally been adopted by BLM employees. The story was poorly researched, with gaping factual holes filled by implication and innuendo. DOI responded by distributing a statement from Assistant Secretary Armstrong announcing an investigation and by mass distribution of an op-ed by the director of the horse adoption program that challenged the unsupported accusations in the story and provided factual information. DOI challenged the inaccuracies in the story with *AP* officials and forced a paragraph into later versions denying the claim that thousands of horses had gone to slaughterhouses. The *AP* has now revised its story, leaving out the blatant inaccuracies, although not correcting them.

- **Media Activities:** *Time* is preparing an article on the Grand Staircase-Escalante National Monument for publication shortly. A reporter for the magazine apparently toured the Monument for two days in December with a representative of the Southern Utah Wilderness Alliance, county commissioners, local business owners and BLM staff.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Northwest Flood Relief:** On January 10, Secretary Glickman traveled with the Vice President to Meridian, CA, Boise, ID, and Seattle, WA, to review the Administration's disaster response. About 10,000 pounds of USDA commodities have been provided to CA residents in the disaster areas. In OR, a small amount of USDA commodities has been provided to victims of the disaster. The Farm Services Administration State Director estimates a need of more than $800,000 in Environmental Conservation Program funds in the state to restore irrigation systems, remove debris, level land, and repair fences.

- **Minority Farmers:** This month, Secretary Glickman will hold 13 listening sessions across the country to hear from socially disadvantaged and minority farmers and employees concerning civil rights problems facing USDA in program delivery and employment. Congresswoman Clayton may ask the House Agriculture Committee for hearings on alleged USDA civil rights violations. The FBI is also investigating a break in of a Farm Service Agency office in Richmond, VA, in which the National Black Farmers Association President's file was allegedly tampered with.

- **Milk Prices:** Secretary Glickman announced actions to strengthen farm-level milk prices: purchasing $5 million worth of cheese for domestic food assistance programs and increasing the flow of dairy products into international food assistance programs. The 1997 milk support price level announced on December 31 is 15 cents per cwt below the 1996 price. WI milk producers are building support for a January 22 protest, where they will withhold all milk from the market. Protesters also plan to shut down snowmobile trails on January 15.

- **Food Safety:** On January 27, the first stage in implementing the final rule on Pathogen Reduction and Hazard Analysis and Critical Control Point Systems that you announced last summer will become effective. This phase, called Sanitation Standard Operating Procedures, requires slaughter plants to develop and follow written plans for sanitation rather than waiting for an inspector to detect problems. Another phase requires plants to test livestock for generic *E. coli*. This is the first time plants have been required to conduct any sort of microbial testing.

- **International Trade Developments:** Japan has postponed final approval on entry of U.S. tomatoes and USDA is preparing a letter protesting the delay. A final rule specifying conditions under which Argentina can export fresh beef to the U.S. was forwarded to the USDA General Counsel for review on December 27. On January 8, Deputy Secretary Rominger opened a Caribbean trade office in Miami, FL, to help U.S. producers increase exports of consumer-ready products to the region.

- **Agricultural Markets:** Commodity markets the week of December 30 were dominated by the USDA *Hogs and Pigs* report on December 27.
  - Hog prices averaged $54.19/hundredweight (cwt) the week ending January 3, 63 cents higher than the week before; $12.13 higher than a year ago.
  - Nebraska steer prices averaged $66.49/cwt, 99 cents higher than the previous week; $1.99 higher than a year ago.
  - Wheat prices averaged $4.40/bushel (bu), 14 cents less than the week before; 95 cents less than a year ago.
  - Corn prices averaged $2.52/bu, 10 cents less than the week before; $1.18 less than a year ago.
  - Cotton averaged $71.12/cwt, 69 cents less than the week before; 9.63 less than a year ago.
  - The prices received by farmers for all milk in December averaged $14.12/cwt, down 80 cents from the November average but 30 cents above the level one year earlier. The basic formula prices averaged $11.34/cwt, down 27 cents from the November average and $1.57 below the level one year earlier. Cheese prices were up slightly, while butter remained unchanged.

- **Headwaters Exchange Update:** Between January 16 and February 5, the Fish and Wildlife Service and the California Resources Agency will hold public meetings in CA to review various Headwaters Exchange resolution proposals, which include transfer of other state and federal lands to MAXXAM Corporation. The Forest Service Pacific Southwest Region has identified 17,000 acres of National Forest lands, of which about 10,000 acres may be considered in exchange for about 9,600 acres of Elk River Timber Company land, now owned by Sierra Pacific Corporation, as part of the Headwaters Forest resolution.

- **Welfare Reform:** The Food Stamp Program (FSP) has received requests from 18 states to waive the work requirement provisions of the welfare reform bill, limiting the receipt of food stamps for childless able-bodied adults to three months in any three-year period unless the individual is working at least 20 hours per week, due to the lack of job availability. The FSP has approved or partially approved 11 of the requests: AL, HI, IL, KY, LA, NJ, RI, SC, VA, WA and WV. Seven are still under review: CO, MD, NY, OH, PA, TX and VT. OR withdrew its request.

- **Congressional Hearings:**
  - On January 16, the House Agriculture Committee plans to hold a field hearing in Bend, OR, on forest health, fire suppression, and timber salvage issues. Under Secretary for Natural Resources and Environment Lyons and Forest Service Chief Dombeck will testify.
  - On February 22, the House Agriculture Appropriations Subcommittee will hold its initial FY98 appropriations hearing. Secretary Glickman has been asked to testify.
  - On February 27, the Senate Agriculture Appropriations Subcommittee will hold its initial FY98 appropriations hearing. Secretary Glickman has been asked to testify.

- **Media Inquiries:** *NBC Nightly News'* "Fleecing of America" and *AP* requested information on Forest Service fees for recreation. The story is based on a December 1996 General Accounting Office report recommending that the agency update its fees to fair market value. *ABC*'s "Your Money, Your Choice" is working on a study of unqualified stores that deal in food stamps.

DEPARTMENT OF ENERGY

- **Tritium:** Next week, DOE plans to announce its decision on whether the Fast Flux Test Facility at the Hanford site in WA will be included as an option to be analyzed for production of tritium for nuclear weapons. DOE will decide on the method of production for tritium by 1998. This issue has strong interest in Congressional districts in the NW and SC.

- **Plutonium:** Next week, Secretary O'Leary will announce the storage approach for nuclear weapons materials and the disposition approach for surplus weapons plutonium. The Record of Decision (ROD) is expected to irreversibly dispose of the nation's surplus plutonium and to reduce the number of sites where nuclear weapons materials are stored. The disposition approach could involve immobilization and burning mixed oxide fuel in commercial reactors. There are technical, institutional, cost, and international issues associated with both approaches. Over the next two years, DOE will resolve these issues

to enable you to eliminate stockpiles of surplus weapons plutonium. The ROD calls for weapons plutonium at the Rocky Flats, CO, site to be shipped to the Pantex Plant in Amarillo, TX, and the Savannah River Site in Aiken, SC. Plutonium at other DOE sites will continue to be stored in their current locations pending disposition. The ROD further designates that the Oak Ridge Site in TN will continue its storage of highly enriched uranium pending disposition of its surplus inventories.

- **Openness Initiative Update:** On January 15, DOE will hold the final of four press conferences about the openness initiative hosted by Secretary O'Leary. Approximately ten areas will be covered, including outstanding progress on your declassification goals established in the executive order; Russia's meeting the Secretary's challenge to provide nuclear weapons testing data similar to that declassified by DOE in 1994; plans to declassify 6000 historical films about the nuclear program; and recently discovered information revealing that a small plutonium source was left in Vietnam in 1975. DOE will provide information in the form of an uranium vulnerability report, linking the nuclear weapons program to the environmental legacy, and a report providing the radiological releases of underground nuclear tests that were declassified in 1994. DOE has coordinated these efforts with NSC.

- **Savannah River:** On January 9, DOE announced the identification of a need to restructure the contractor work force at the Savannah River site in SC, as a result of a comprehensive assessment of skills requirements based on final work and budget allocations for FY97. It is expected that up to 875 positions will be identified for involuntary separations this month. The notices will be issued in mid-January. Affected staff positions include support service and construction crafts. DOE has informed the Congressional delegation of SC.

- **Human Radiation Experiments:** On January 14, the Interagency Working Group on Human Radiation Experiments and the White House will hold a press conference to release the government response to the recommendations of the Advisory Committee presented to you last October.

- **Storage Tanks in WA:** In late January, DOE will announce its final decision to solidify millions of gallons of highly radioactive waste in the 177 tanks at the Hanford site in WA, some of which has been leaking into the environment. In September, two privatized contracts, worth $27 million each, were awarded to BNFL, Inc., and Lockheed Martin to begin the specifications of the radioactive waste solidification facilities. This is the largest privatization and remediation project undertaken by DOE, worth approximately $40 billion over the next several decades. Cleanup is expected to begin in 1999.

THE PRESIDENT HAS SEEN
1-13-97

- **1997 Energy Outlook:** The first quarter *1997 Short-Term Energy Outlook* noted that the national average motor gasoline pump prices should hover around $1.32 per gallon in the first quarter of 1997, up 12 cents from the same period in 1996. Retail heating oil prices in the fourth quarter of 1996 averaged 13 cents per gallon higher than in the same period of 1995. But the recent recovery in heating oil stocks and warm weather ensure ample supplies for the rest of the heating season and have induced a decline in retail prices.

- **Waste Management:** In late January, DOE expects to release its final environmental impact statement for most waste management activities throughout the DOE complex. This document represents over $30 billion in waste management projects. This is part of the Administration's strategy to clean up and stabilize the legacy of 50 years of nuclear weapons production. Cleanup is expected to last well into the next century, affecting states like CO, WA, ID, CA, NM, NV, IL, SC, NY, OH, TX and TN.

- **Electricity Reliability:** On January 16, DOE's Task Force on Electric System Reliability will hold its first meeting. The task force is set up to address issues affecting the reliability of the nation's bulk electric system.

- **Nuclear Weapons Protest:** On January 27, activist groups will participate in a coordinated international day of action that involves calling the White House and asking you to cancel the subcritical nuclear tests planned for detonation underground at the NV Test Site.

- **Clean Coal Conference:** On January 10, Secretary O'Leary addressed the conference about Administration accomplishments in energy technology research and development in Tampa Bay, FL.

No coverage

- **Public Service Award Ceremony:** On January 13, Secretary O'Leary will be honored in Atlanta, GA, by the *Turner Broadcasting Company*. The Secretary will be presented with the "Trumpet Award" for dedicated public service.

ENVIRONMENTAL PROTECTION AGENCY

- **Everglades Restoration:** On January 10, Administrator Browner joined federal, state and local officials at the Everglades National Park in Dade County, FL, to attend a ground-breaking ceremony, marking a major step in the restoration of the Everglades.

cc: Dorskind

- **Pigeon River:** EPA continues to work with NC and TN on the permit for the Champion Paper Mill on the Pigeon River in NC. The company discharges into the Pigeon River, which then flows into TN waters. NC has recently issued a permit for the Champion facility and TN has concerns that the permit is not strict enough. This is a technically complex and highly volatile issue. EPA is awaiting communication from TN's Attorney General concerning the state's interpretation of TN's water quality standards and will work with NC to ensure that TN's water quality is not violated by the NC facility.

- **CFC Enforcement Actions:** On January 9, Administrator Browner held a press conference with Attorney General Reno and U.S. Customs Commissioner Weise to announce more than a dozen enforcement actions against individuals and companies for smuggling freon gas -- a common brand name for a type of chloroflourocarbon (CFC) -- into the U.S. The enforcement actions announced on January 9 result from a three year interagency effort including EPA, DOJ, U.S. Customs and the FBI to stem the flow of illegal CFC imports. To date, the interagency effort has resulted in the seizure of 1.5 million pounds of illegally imported CFCs with a street value of up to $18 million.

- **Air Quality Standards Hearings:** On January 14, EPA will hold 2-day public hearings in Boston, MA, Chicago, IL, and Salt Lake City, UT, on EPA's recently proposed changes to strengthen the current federal air quality standards for ozone (smog) and particulate matter (soot). The proposal is based on an extensive review of the most current scientific research which shows that the current air quality standards fail to provide adequate public health protection, especially for children. Significant participation by industry, environmentalists and the general public is expected.

- **Methyl Parathion:** EPA has reached an agreement with Cheminova, the manufacturer of the agricultural pesticide, methyl parathion. The agreement, which strengthens the health risk mitigation measures for the pesticide, addresses the continued problems with the illegal application of the pesticide in homes and other buildings. Methyl parathion is a pesticide designated for limited use on agricultural crops only. Its use indoors poses a public health hazard due to its high toxicity. The most recent problem with illegal application has occurred in MS and some surrounding states, where a major emergency response action is underway to decontaminate homes and other buildings under EPA's Superfund program. Next week, EPA will announce the agreement, once it has obtained all of the signatures.

- **Western Flooding:** EPA has dispatched emergency response experts as part of the federal response to the flooding in the West. EPA is assisting impacted areas with general hazardous material identification and recovery. Although a number of Superfund toxic

waste sites are located within flood impacted areas in CA and NV, no major incidents have been reported at this time. As the water continues to recede, more detailed information will be available regarding the need for response.

- **Scientific Exchange:** On January 7, Administrator Browner and CDC Director David Satcher signed an MOU to promote the exchange of scientific information, help identify the agencies' science and human resource needs, and help direct scientific resources to the highest priority problems and opportunities. The framework provided by the agreement will help both agencies characterize risk and assess the public health effects of exposure to environmental hazards.

DEPARTMENT OF EDUCATION

- **Ebonics:** On January 2, the Secretary received a letter from Carolyn Getridge, Superintendent of the Oakland Unified School District (OUSD), regarding the district's December 18 resolution on Ebonics. Ms. Getridge stated that the Board did not intend to seek federal bilingual education funding, that it did not intend to promote the teaching of Ebonics in OUSD classrooms, and that the Board's objective was "to provide teachers with the tools to better understand ... students' language patterns and build a bridge to enable them to speak, read and write proficiently in Standard American Language." The content of the letter differs significantly from the content of the Board resolution that received national publicity. Secretary Riley's staff is drafting a reply. The issue continues to receive widespread media coverage.

- **Sexual Harassment Guidance:** DOEd staff are drafting final guidance to schools regarding student-on-student and employee-on-student sexual harassment.

- **National PTA:** On January 16, Secretary Riley will address the National PTA in Washington, D.C.

- **"America Reads" Initiative:** On January 31, Secretary Riley will participate in a kick-off event for the initiative in Houston.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Marijuana Study:** On January 8, the Institute of Medicine and the National Academy of Sciences approved a proposal to provide ONDCP with a comprehensive assessment of the state of scientific knowledge on marijuana, including its acute and chronic effects on health and behavior, its "gateway" characteristics, and the potential efficacy and adverse effects of its therapeutic use for pharmacotherapies.

- **High Intensity Drug Trafficking Designations:** On January 13, Director McCaffrey will announce the designation of five new HIDTAs across the U.S. HIDTAs are regions identified as having the most critical drug trafficking problems that adversely affect the U.S. The new HIDTAs include portions of 13 states: WA, AL, MS, LA, IN, IA, KS, MO, NE, SD, CO, UT and WY. The new HIDTAs, created by Congressional bi-partisan action, will receive $23 million in federal funds to help coordinate drug control efforts.

- **Presidential Initiative on Drugged Driving:** Recommendations to you from Director McCaffrey and Secretary Peña have been drafted and are undergoing interagency clearance. The recommendations are scheduled to be provided to you on or about January 17.

OFFICE OF PERSONNEL MANAGEMENT

- **Army Sexual Harassment:** OPM has appealed a recent decision by the Merit Systems Protection Board (MSPB) that overturned the Army's removal of a high ranking senior executive whose conduct constituted sexual harassment. In this decision, *Hillen v. Department of the Army and the Office of Personnel Management*, the MSPB substituted a 90-day suspension for the Army's decision to remove him. Director King expressed concern that the MSPB's decision would inhibit and intimidate victims of sexual harassment from speaking up because the MSPB's rejection of the agency-imposed penalty is an assault on decent behavior and an infringement on each agency's obligation to act in the best interest of its employees.

- **Director's Schedule:** On January 8, Director King presented the Presidential Award for Distinguished Federal Service to retiring Dr. H. C. "Mac" McClure, who was chair of the Oklahoma City Federal Executive Board at the time of the Murrah Building bombing. This is only the second time you have authorized one of these awards.

- **Administration Diversity:** The *Washington Post* is still working on a story about the Administration's political appointees. OPM has the impression that the focus has shifted from the number of appointees and the need for them to the diversity of Administration appointees.

- **FOIA Request:** On December 26, OMB denied a FOIA request from the *Federal Times* for an HHS and OPM "report to OMB on federal workers who are delinquent in child support payments ... and any letters of transmittal, appendices, agency responses or other documents ..." on the grounds that the "documents are exempt from mandatory disclosure ... because they constitute interagency or intra-agency pre-decisional, deliberative communications, the disclosure of which would inhibit the frank and candid exchange of views that is necessary for effective government decision making." The decision to deny is appealable under OMB regulations.

UNITED STATES INFORMATION AGENCY

- **Crisis in Peru:** USIS Peru provided press service to the American mission during the height of the hostage-taking crisis in Lima by preparing non-stop summaries of TV and radio announcements, making video copies of news programs, compiling chronologies, and answering press queries in close coordination with State.

- **Helms-Burton:** Radio Marti broadcast programming providing analysis and commentary on your January 3 decision to suspend implementation of Helms-Burton.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **South Dakota:** On January 10, the entire state of SD was declared a major disaster, due to intense winter storm conditions.

- **Western Flooding:** On January 10, Director Witt and the Vice President traveled to CA, ID and WA to survey flood disaster assistance efforts.

cc:

The Vice President	Michael McCurry
Leon Panetta	Doug Sosnik
Harold Ickes	Marcia Hale
Evelyn Lieberman	Don Baer
George Stephanopoulos	Ron Klain
Alexis Herman	Rahm Emanuel
Carol Rasco	John Hilley
Maggie Williams	Erskine Bowles

THE PRESIDENT HAS SEEN
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THE WHITE HOUSE
WASHINGTON

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January 10, 1997

MEMORANDUM TO THE CHIEF OF STAFF

FROM RAHM EMANUEL

SUBJECT WEEKLY REPORT

CRIME/DRUGS: There are two legislative proposals on the table to amend the Lautenberg extension of the Brady Bill. I met with Betsy Myers, Dennis Burke, and Christa Robinson this week to coordinate a strategy between the Women and police groups. For now, we want to return to the safe position of the original Lautenberg legislation which contains the "Official Use Exemption." (i.e. It exempts police and armed forces from gun control legislation.)

Hand Gun Control, NAPO, and other cop groups are supportive of this position. It was introduced on Thursday by Representative Stupak. FOP has endorsed a prospective application to domestic violence offenses introduced on Wednesday by Representative Barr. If we do not deal with this issue, it will have a long term effect on police groups endorsing gun control legislation. The fragile coalition we have assembled may be ripped apart.

On Wednesday, ATF and Justice will release a report on Federal Firearms Dealers. The report will show that since the Brady law and the President's 1993 Executive Order, there has been a major reduction in "fly- by- night" gun shops. We selected Wednesday so the Administration would be making news while the President is down.

The Juvenile Legislation is ready to be launched after the State of the Union. We have had favorable meetings on the Hill with Democrats and Republicans to move the legislation early.

General McCaffrey had a successful trip to Hollywood. He received favorable coverage on NBC Friday night.

HEALTH CARE: I met with Chris Jennings this week to review proposals for Presidential announcements in the next few months. Right now we have a letter from HHS to HMO providers concerning a Gag Rule as it pertains to Medicaid. This will be released by the President in an upcoming radio address.

It is my goal to have a number of studies, reports, regulations, rules, directives, executive orders, and legislative proposals to explain our policy and health care objectives.

ENVIRONMENT: I have asked Katie McGinty to draft a report from Interior and Agriculture on Public Lands and President Clinton's first term. We are improving the first draft so that it can be an official report. The original memo to the President, claimed we have put aside more public land for parks than any President since Roosevelt. I am now having a little difficulty getting them to substantiate that claim but we are working on it. This report is our first attempt to assemble the President's record in a way that puts down a marker for historians. I plan to work with other agencies and departments to assemble similar official reports.

EDUCATION: The College Default Rate received good coverage. The report was on the front page of USA Today and received extensive coverage on the morning news shows. There is an insatiable appetite for information on education and education reform.

We need to plot a strategy on standards. This is were the President will make the biggest impact on education. After meeting with Mark Tucker and reviewing research on how the Administration should proceed, I plan to draft a strategy memo on standards. I believe this issue is crucial.

HISTORIANS: There are a number of ways to proceed in this area. We could hire a historian to chronicle the President's accomplishments. We could also initiate a Presidential lecture series modeled on the First Lady's Blue Room gatherings and President Bush's Presidential lectures. Each lecture would focus on a single subject from the President's agenda. (The series could be organized by Sheldon Hackney at the Endowment for the Humanities.) These efforts would enable the Administration to reach out to current American historians and to woo members of the press. I would be willing to assist if we decide to commit to such a project.

As an aside, I believe that the President's legacy was ensured by his reelection. Based on that assumption, I think we should be careful in our open use of the word legacy; it seems somewhat self-absorbed and that may come back to haunt us one day. The "legacy" issue will take care of itself if we take care of the agenda we have set for America and Americans.

THE PRESIDENT HAS SEEN
1-13-97

THE WHITE HOUSE

WASHINGTON

'97 JAN 10 PM5:44

January 10, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Domestic Policy Council Weekly Report

1. National Service Summit: Harris Wofford is extremely eager for you to announce the upcoming National Service summit April 27–29 in Philadelphia. The summit is jointly sponsored by the Corporation for National Service and the Points of Light Foundation, and should produce new commitments from the major service organizations (Big Brothers/Big Sisters, the Red Cross, etc.) to expand their efforts in mentoring, public safety, and other forms of service. Harris believes the summit is critical to securing lasting bipartisan support for national service, and needs a strong Presidential launch as soon as possible. He wants you to know that this is your summit, and you should announce it. Bush and others will issue supportive statements at the same time. Ideally, you could announce the summit in a radio address right before or just after the Inaugural.

The summit would be an ideal opportunity to unveil some of the initiatives Harris outlined in his recent memo to you, if we haven't done so already. We are working with him to follow through on the ideas you highlighted.

2. Role for Bill Bratton: We should consider finding a role in the Administration for former NYPD Commissioner William Bratton. Now that he has decided not to run against Giuliani, Bratton is looking for a way to get back into public service, and would join the Administration if we asked. He would be an electrifying addition to the team as you set out to secure community policing as a lasting part of your legacy. Nothing would do more to keep the crime rate going down than to persuade the 30 largest cities where most of the crime takes place to adopt the New York model -- and Bratton might be the only man in America who could make it happen. He would also give us a media-savvy anti-crime spokesman who commands respect from the police, the press, and the public -- and he could be especially helpful in our efforts to transform D.C., which needs to overhaul its police department. We could hire him as a special adviser to Reno (the head of the COPS program, Joe Brann, has no plans to leave), or as your senior adviser for public safety here at the White House. You could announce it in the State of the Union, and have him sit in the First Lady's box. I know Bratton is interested. If you're interested, I will explore the idea with Reno and others here at the White House.

Need to work out Vis a vis
Brann - Joe could go police outlets
Bratton could do more Democrat!

3. Teen Pregnancy: After the radio address earlier this month, you asked for an update on the National Campaign Against Teen Pregnancy. The group's progress is still slow and bureaucratic (lots of task forces), but they are preparing to launch a national media campaign in May. Done right, it could be a good opportunity. We will meet with Belle Sawhill to make sure it's a serious effort.

Good

4. Disability Work Incentives: We have reached agreement with OMB, HHS, and SSA to extend health insurance to people on SSDI and SSI who go to work. Under a new Medicaid state option, states could offer a Medicaid buy-in for people with disabilities whose earnings increase. For Medicare, we will do a 5-year demonstration project.

Good

5. Human Radiation Experiments: The Advisory Committee on Human Radiation Experiments is ready to announce its action plan, and we have prepared a Presidential memorandum directing agencies to issue new protections for subjects of classified research and annually disclose the number of classified research projects and participants. There is a great deal of press interest in this issue. We can plan event for February.

Good

THE PRESIDENT HAS SEEN
1-13-97

THE WHITE HOUSE
WASHINGTON

January 11, 1996

MR. PRESIDENT:

Regarding the "salmon summit" in the attached weekly report, Katie references a briefing memo she submitted to our office. We received it Thursday, January 9. That memo recommends a positive, though non-committal response to Gov. Kitzhaber's call for you or the Vice President to co-host a salmon town hall meeting with him in February or March in Oregon.

We have circulated this memo for comment from senior staff and will forward it to you soon.

Todd Stern
Phil Caplan

THE PRESIDENT HAS SEEN

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

January 10, 1997

MEMORANDUM FOR THE PRESIDENT

'97 JAN 10 PM 9:54

FROM: KATHLEEN A. McGINTY

CC: LEON PANETTA
ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

WEST COAST FLOODING

Recent flooding in California and the Pacific Northwest underscore the importance of heeding one of the central warnings of climate change scientists, namely: that extreme weather events are likely to become more common, more damaging, and more costly. Federal policies on floodplain development, wetland protection, forestry, road construction, and water resource management are shifting in the right direction, but will need to continue to improve if we are to cope responsibly with our changing climate. It will be essential to tailor the Administration's response to the flooding in a manner that, while fully compassionate to the victims, reduces the likelihood that taxpayers will be called upon in the future to repair and replace the same things repeatedly. Many of the lessons for Midwest flooding in 1993 can and should be applied in this instance.

In designing our response to the flooding, we should also actively look for opportunities to work with government and private landowners to help them make repairs, improvements and land management choices that also benefit fish and wildlife restoration, particularly recovery of endangered and threatened salmon. This does not need to be coercive or burdensome. Many of the landowners along the rivers were facing the need to improve riparian habitat or change some land management measures in order to comply with recent listings of salmon under the Endangered Species Act (ESA). We should ensure that the financial and technical assistance we provide to repair property can also be used to help meet the habitat conservation requirements of the ESA.

You should be aware of the demonstrated success of your policy on the Auburn Dam/American River flood control issue. Although dam proponents are again calling for its immediate construction, the fact is that, while rivers up and down the Central Valley flooded, the American did not. The existing dam and levees worked. Your policy, which calls for continued improvements in the levees and upgrading the flood control features of the existing dam and reservoir, will provide even more protection when completed. The evidence of this flooding directly and irrefutably contradicts the claim that Auburn Dam must be built. You are on the

right course. I have attached an editorial from the USA Today, dated January 8, 1997, that discusses the California flooding and federal efforts on wetland protection and climate change.

HOMESTEAD AIR FORCE BASE

The internal Administration deliberations on this issue are almost completed. Senior staff will meet with the Chief of Staff next week to present a recommended course of action that would achieve a compromise between the perspectives of Dade County's airport development interests and the environmental groups.

SALMON SUMMIT

Not a bad idea!

Governor John Kitzhaber (D-OR) has a call into you inviting you to join him in hosting a salmon summit in Oregon with the other Northwest governors. Governor Kitzhaber wants additional Administration resources to help the state of Oregon restore salmon. In talking points for your return call to the Governor, I will recommend that you convey a generally positive response to his requests, without firmly committing your involvement to any specific date or format for a salmon summit. On Monday, I sent a briefing memo to you through the Staff Secretary outlining the issues Governor Kitzhaber has raised. I have attached an article from The Oregonian, dated November 9, 1996, on the salmon summit.

BISON AT YELLOWSTONE

As a result of the harsh winter in Yellowstone National Park, the Park is ice covered an bison are leaving in search of food. Because of a 1995 lawsuit settlement, the federal government is required to destroy animals that cannot be forced back into the park. The state and cattle ranchers fear that bison are carrying brucellosis, a disease they say could be transferred to the Montana livestock industry.

In the last two weeks the agreement has forced the Park Service to destroy about 100 bison. Another 120 are waiting in pens. Because of this large number of bison, the environmental community is beginning to protest loudly and the press is starting to cover this in a very negative fashion.

Therefore, the Superintendent of Yellowstone today sent a letter to the Governor of Montana expressing his concern about the number of bison that have been killed so far and recommending that consultations begin as soon as possible to look at alternate means to address the situation. I am hopeful that these talks will start early next week. If we fail to change this course, the bison herd could be seriously endangered and, your record on protecting Yellowstone (stopping the mine and reintroducing wolves) will be damaged. The State of Montana must agree to stop the bison slaughter, however, so, unfortunately, this issue is not completely in our control.

→ Agree → Should we work out an agreement where feds agree to go off park & pen up bison until they can be returned?

Recycled Paper

MAHOGANY IN THE AMAZON

Today, the United States and Bolivia jointly proposed to protect bigleaf mahogany under the Convention on International Trade in Endangered Species (CITES). Under the proposal, trade in mahogany would remain legal, but the country of origin would be required to issue certain permits before mahogany could be shipped in international trade. This permit requirement would help control illegal mahogany exports, a major reason that Bolivia and several Central American countries where mahogany is found have supported listing the species under CITES.

Environmental groups will applaud this proposal; some U.S. furniture manufacturers will express concern. The CITES Conference of Parties will consider the proposal at its next meeting, in June.

HEADWATERS

We are continuing our efforts to identify $250 million in federal cash and/or assets, focusing on federal oil and gas leases. The Department of the Interior has crunched the numbers and analyzed legislative and administrative hurdles in exchanging the leases. We are now in the process of developing options in case we determine either that we are unable to reach the $250 million mark in the near term or that the only way to reach that figure is through legislation.

Meanwhile, we have explored the idea of extending the deadlines set forth in the agreement. Pacific Lumber is amenable at this time, as long as we continue to make progress in identifying solid measures for coming up with the $250 million. Pacific Lumber has been quite cooperative to date, although I sense they are getting anxious for us to present some final solutions for reaching $250 million.

TRANSBOUDARY ENVIRONMENTAL IMPACT ASSESSMENT

Pursuant to Article 10.7 in one of the side agreements to NAFTA, CEQ has co-chaired a U.S. delegation that is drafting recommendations on environmental impact assessment (EIA) for domestic actions which have environmental impact that cross the Mexican or Canadian borders. Both the U.S. interagency group developing the U.S. positions, and the trilateral delegation that has been meeting regularly, have made considerable progress over the last 15 months.

We are now at a critical decision making point, as all three delegations are expected to have final government positions on their recommendations by early March. The U.S. has two key issues to resolve: 1) whether a transboundary EIA agreement should be binding or non-binding, and 2)under what legal authority any agreement should be implemented domestically. The latter issue has been the subject of interagency debate for many years. CEQ will chair a series of policy meetings to reach a final Administration position.

DOE'S APPLIANCE EFFICIENCY RULEMAKING

DOE has sent to OMB for review a draft final rule carrying out the statutory responsibility to set energy efficiency standards for refrigerators. This rule will be quite contentious on the Hill and with interest groups regardless of which option is ultimately selected. If the rule is issued as proposed, members with disappointed manufacturers in their districts, including Representative Ralph Regula (R-OH), Senator Mitch McConnell (R-KY), and possibly Senator Tom Harkin (D-IA), will fight it. If a lesser standard is issued, the environmental groups and the South Carolina delegation (Whirlpool) will fight equally hard. DOE hopes to have the rule published by the end of the month, and in advance of Secretary Pena's confirmation hearing.

DOE has proposed a final rule that would hold industry to a consensus agreement all manufacturers reached with the agency in 1993 to meet new standards by 2000. With the Republicans gaining control of the Congress, many manufacturers, including General Electric, Maytag and Amana, walked away from that agreement in 1994-95, and were successful in obtaining an appropriations rider to delay publication of the rule in fiscal year 1996. They now want the new standard delayed until 2003, and have indicated they would agree to a slightly higher standard if they could obtain the delay. DOE's proposal obtains significant additional energy savings and pollution reduction in the near term, but both proposals achieve equal results by 2030. might be poss to compromise

Whirlpool, by contrast, made capital investments to permit it to meet the higher standard by 2000, and wants the original agreement maintained, as do the environmental groups. The environmental community also sees this as a test of the validity of the Administration's emphasis on consensus-based rulemaking, and argues that if the manufacturers are not held to their original agreement there will be no reason for other stakeholders to enter into negotiated rulemaking in the future.

This is a close call. We will take a careful look at the proposal and its benefits over the next week to determine the approach with optimal environmental and political benefit. warrant the political fight that will be involved in upholding the proposal.

OZONE/PARTICULATE MATTER RULEMAKING

CEQ has been working with OMB and NEC to identify for EPA a list of issues that need to be addressed in the next few weeks. Our intention is to ensure that all White House offices have the data they need to evaluate adequately these proposed rules. We expect to receive additional data from EPA on an ongoing basis, and to do significant work in advance of receiving the final rules. My meetings on the Hill indicate that the proposed rules, and particularly ozone, face significant questions even from relatively moderate members of Congress.

Recycled Paper

USA Today

Wednesday, January 8, 1996

Today's debate: FLOOD CONTROL

Stop, Uncle Sugar; pull plug on silly dam projects

OUR VIEW **Western floods show the futility of fooling with Mother Nature. There are better ways to protect people.**

The final estimates are weeks away, but the deadly flooding of California's rich Central Valley (so far, at least six lives lost) will cost taxpayers hundreds of millions of dollars in federal relief. Preliminary estimates from just nine of 42 inundated counties stand at $775 million.

That's worse than California's 1986 floods, which were worse than any before. But how is that possible? For decades Washington has been Uncle Sugar to flood-zone communities nationwide, spending an estimated $30 billion on dams and levees to contain the nation's waterways. Shouldn't flood-plain residents be safer?

As it turns out, those "flood-control systems" can be catastrophically self-defeating. Levees encourage development of flood-prone areas, which creates more runoff as land is paved over or reshaped to shed water rather than absorb it.

Result: Less precipitation causes more intense floods of land containing more valuable property. The Midwest has seen six 100-year floods in the past 50 years, which makes them 8⅓-year floods. California has suffered two in 11 years (5½-year floods), not counting 1995, which saw 100-year-scale disasters in more limited areas.

The folly of building flood-control systems that worsen the intensity and frequency of floods has not been lost on Washington. Last year, lawmakers killed at least one flood-control anachronism — California's benighted Auburn Dam above Sacramento. Then in October, they increased the share paid by local communities for new flood projects, encouraging them to think twice before fooling with Mother Nature.

By John Burgess, AP

Afloat: Residents of inundated Guerneville, Calif., row down the street.

Both the Army Corps of Engineers and the Federal Emergency Management Agency are helping communities develop alternative strategies. Among them: restoring riverside wetlands to their natural, absorbent state; relocating homes and businesses; and establishing recreation areas that double as flood buffers. In some states, including bedraggled Oregon and Washington, damage also can be mitigated by limiting timber clear-cutting, which causes killer landslides and flash floods.

Plainly, Washington cannot abandon people at risk of devastating floods. But the notion that the best way to do that is to build more old-fashioned, high-cost, all-pork dams and levees — as some continue to insist — is both shortsighted and destructive. California's tragic floods are proof enough of that.

Ask Clinton to salmon forum

Other Northwest governors should join Kitzhaber in seeking presidential attention to salmon problems

THE OREGONIAN
SATURDAY
11/09/96

Last summer, Oregon Gov. John Kitzhaber, confident that President Clinton would win a second term, invited the president and Vice President Al Gore to come to Oregon in 1997 for a firsthand look at Oregon's struggle to save coastal coho salmon.

This is a good idea, but the governor's invitation is too narrow.

Instead of asking Clinton and Gore to trek across the country just to hear about the state of Oregon's plan to avoid an Endangered Species Act listing on coastal coho salmon, Kitzhaber should expand the theme.

After all, the problem we've been having in this region with declining salmon runs doesn't stop at Oregon's border. Salmon swim across state and international political boundaries.

This problem is global.

We think the Oregon governor should ask the other Northwest governors and the governor of Alaska to join together to invite the president and vice president to play host to a North American Salmon Forum.

We choose to call it a forum, rather than a summit, because Kitzhaber aides believe that the administration would not want to duplicate the experience of the Northwest forest summit that was held in Portland in 1993.

That may be so in terms of avoiding the controversies, but the forest summit clearly did some good. It engaged many more Northwesterners in a discussion of timber policy than had been the case earlier.

A salmon summit would be different because the salmon issues are vastly different than those involving the spotted owl. The attempt to restore the coastal coho, for instance, involves a wide range of territory from central California to the Bering Sea. Many governments and diverse special interests are involved.

Indeed, a successful North American Salmon Forum would involve representatives of governments, American Indian tribes, environmental and industry groups and citizens from several states and British Columbia.

And, of course, we think there is far more public agreement with the goal Northwest's heritage — than there was over protecting the spotted owl.

Reversing the decline of Northwest salmon clearly will require administration attention and action from several U.S. agencies: National Marine Fisheries Service, U.S. Fish and Wildlife Service, Environmental Protection Agency and the departments of Agriculture, Interior, Energy, Commerce and State.

A North American Salmon Forum, with Clinton and Gore as hosts, should bring to the table representatives from Alaska, Canada and the four Northwest states to talk about compromises that could lead to negotiating terms of an effective Pacific Salmon Treaty.

For his part, Kitzhaber would like to use the session to let Clinton and Gore see Oregon's coho recovery plan firsthand in hopes that they would gain confidence that Oregon can deal with the salmon's decline without much federal intrusion. That credibility-building goal is even more important with the recent response of the National Marine Fisheries Service that the governor's plan is inadequate and in need of improvement.

But we see another Clinton-Gore natural resources summit here as something more than merely putting a presidential seal of approval on a state program that relies on volunteerism.

Wild salmon are in trouble in just about every river in America where they roam. We can learn from the experiences of others who have watched the Atlantic salmon disappear over this century. We can learn something from Alaska where salmon seem to be flourishing. We can benefit from the wisdom of Indian tribes and the Canadians who believe we must all do more to save them.

A 1997 North American Salmon Forum would spark a renewed commitment in this region to save salmon by giving the issue presidential attention. And it also would further the education of the highest level of the administration about a natural resource issue it needs to know more about.

Let's renew the invitation on behalf

SAVING SALMON

Three species of salmon already are listed as threatened or endangered on the Columbia/Snake River system. Last month, the National Marine Fisheries Service postponed a listing for Oregon-bred coastal coho salmon, pending acceptance of Gov. John Kitzhaber's salmon recovery plan. However, the service's regional director told Kitzhaber this week that the plan needs more work.

THE PRESIDENT HAS SEEN
1-13-97

- **Inflation-Indexed Securities:** On December 30, Treasury released the final terms and conditions for inflation-indexed securities which clarified the circumstances under which a change in the Consumer Price Index (CPI) would cause Treasury to choose a substitute index. Reactions from market participants to these clarifications have been positive. On January 21, Treasury will release the official offering announcement, including the amount of notes to be auctioned. On January 29 the first auction of inflation-indexed notes will occur. Treasury continues preparations for the auctions which include marketing presentations to investor conferences and finalizing the appropriate accounting and debt limit treatment for the new securities.

- **Community Reinvestment Act:** On December 19, the Federal Reserve Board approved the first strategic plan designed by a bank for complying with the Community Reinvestment Act (CRA). The four-year plan includes specific goals for making mortgage, small business and community development loans. If the bank meets 90 percent of its goals, it will receive a satisfactory rating. On December 23, the FDIC approved a strategic plan for a bank in TX. The bank regulators' actions are likely to encourage other banks to develop strategic plans for meeting their CRA lending and investment commitments. In December, the Federal Reserve Bank of KS reported that in a recent survey of small Midwestern banks examined under the new Community Reinvestment Act regulations, nearly 90 percent indicated the exams were less burdensome. About 40 percent indicated they had incurred additional costs.

- **Airport Trust Fund Hearing:** On February 4, the Senate Finance Committee is contemplating holding a hearing regarding the airport and airway trust fund excise taxes (the 10 percent passenger ticket tax, the 6.25 percent cargo waybill tax, and the $6-per-person international departure tax), which expired on December 31.

- **Secretary's Schedule:** Secretary Rubin will particpate in the following events:
  January 13 - Deliver remarks at the International Development Conference.
  January 14 - Meet with the Turkish State Minister, Fehim Adak.
  January 16 - Meet with Chairman Greenspan.
  January 17 - Address the U.S. Conference of Mayors.

DEPARTMENT OF COMMERCE

- **Biological Weapons Convention:** During January 13-14, there will be bilateral discussions with the Japanese in Tokyo on the Biological Weapons Convention (BWC). Japan has concerns about the protection of confidential business information, loss of national security information, and the overall costs of an intrusive verification regime.

THE PRESIDENT HAS SEEN
1-13-97

- **Privatization:** During the last several weeks, Treasury has worked closely with OMB on several potential privatization proposals to be included in your budget proposal. Treasury will continue to work with OMB to develop Administration privatization policy and oversee the privatization projects in which it is currently involved:
  - **Connie Lee:** On January 6, Treasury entered into a contract with Salomon Brothers to conduct a binding appraisal of the common stock of Connie Lee held by DOEd. Treasury will provide oversight of the appraisal process and negotiate with Connie Lee for the closing documents for the sale of the stock. Proceeds will be available for school construction in D.C.
  - **Sallie Mae:** Treasury received its first $400,000 semiannual payment from Sallie Mae to reimburse Treasury for its Congressionally-mandated Sallie Mae oversight activities which included monitoring financial safety and reorganizing enterprise operations.

- **International Currency Audits:** On January 13, a Treasury audit team will begin the first 1997 International Currency Audit with visits to cities in Thailand, Cambodia, Indonesia and Singapore, where they will meet with officials from the government, banks, and law enforcement. The trip is designed to assess the amount of counterfeit U.S. currency in circulation, while enhancing anti-counterfeiting efforts by foreign countries. On January 26, a second audit team will depart for Brazil, Paraguay and possibly Peru.

- **Columbian Narcotics Traffickers:** The Office of Foreign Assets Control has published a final regulation that will block the property of 57 drug traffickers, some of whom are U.S. citizens, and 21 businesses connected with the Cali Cartel. The regulation, which implements an Executive Order, is likely to result in litigation brought by U.S. citizens whose property is blocked.

- **Card Clubs:** The Financial Crimes Enforcement Network has published a proposed regulation that would extend the Bank Secrecy Act (BSA) reporting and recordkeeping requirements to gaming institutions popularly known as card clubs. Card clubs are similar to casinos except the players bet against each other instead of the house. They are particularly popular in CA. Like casinos, they offer financial services, including customer deposit or credit accounts, transmission and receipt of funds, and check cashing and currency exchange. For this reason, card clubs are as vulnerable to money laundering as traditional casinos, which have been covered by the BSA since 1985.

THE PRESIDENT HAS SEEN
1-13-97

ensuring that drug users do not serve in high government positions with significant responsibility for law enforcement, including the enforcement of drug laws, outweighs a candidate's legitimate expectation of privacy.

- **GE Patent Infringement:** Eleventh hour negotiations averted a suit against the General Electric Company (GE) for patent infringement. NIH owns a patent for an enhancement of magnetic resonance imaging (MRI). GE makes and sells MRI machines including this capability, but GE refused to accept a license under the NIH patent arguing that its machines used techniques developed prior to the patent. On January 2, NIH asked DOJ to bring suit against GE. After negotiations produced little progress, DOJ informed GE that we would file suit. On December 31, GE agreed to purchase a license from NIH.

- **Health Care Fraud Guidelines:** Attorney General Reno and Secretary Shalala agreed upon a Health Care Fraud and Abuse Control Program and Guidelines as required by the Health Insurance Portability and Accountability Act of 1996. The program and guidelines are not public, but will be distributed in the near future to law enforcement and interested others. They emphasize process and broad goals, and cover (1) coordination of Federal, State, and local law enforcement programs to control fraud and abuse; (2) investigations, audits, evaluations, and inspections relating to the delivery of and payment for health care; (3) enforcement of the civil, criminal and administrative statutes applicable to health care; (4) industry guidance, including advisory opinions, safe harbors, and special fraud alerts relating to fraudulent health care practices; and (5) establishment of a national data bank to receive and report final adverse actions against health care providers.

- **Louisiana Attorney Conduct Provision:** On December 23, the U.S. filed suit against the La. Supreme Court and the La. Bar Association, among others, seeking a declaration that a La. ethics rule governing subpoenas issued to lawyers is unconstitutional. The challenged ethics rule imposes special requirements on all attorneys licensed to practice by the La. bar, including federal prosecutors, who seek to subpoena a lawyer to appear in a grand jury or other criminal proceeding. The requirements include obtaining prior judicial approval of the subpoena after a hearing. The complaint alleges that this rule conflicts with federal rules of criminal procedure and interferes with the conduct of federal criminal investigations and prosecutions, and that such application is preempted by the Supremacy Clause of the Constitution. The suit asks the court to invalidate the rule as it applies to federal prosecutors and to permanently enjoin the state bar from enforcing the rule against federal prosecutors.

THE PRESIDENT HAS SEEN
1-13-97

- **Nuclear Weapons:** On December 12, Judge Mechem of NM dismissed all claims against the government (seeking $106 million) on the grounds that they were barred by the Federal Tort Claims Act's independent contractor and discretionary function exceptions. Schwartzman v. ACF Industries, et al. arose out of alleged contamination of the groundwater beneath plaintiff's property adjacent to the South Albuquerque Works, the site of a facility that produced nuclear bomb casings between 1954 and 1967 for the Atomic Energy Commission (AEC). In 1967, the AEC transferred the facility to the Air Force, which contracted with the General Electric Company to produce aircraft engines in support of the Vietnam War. The Court dismissed, finding that the U.S. left day-to-day operation of the plant to its contractors and that any negligence would have been that of the contractors.

- **Attorney General's Schedule:** On January 13, the Attorney General will attend a *Wall Street Journal* Group luncheon. On January 15, the Attorney General will address the Birmingham Civil Rights Institute.

- **Media Inquiries:**
  - *Time* magazine is working on a story on whether the Cabinet reflects America.
  - Knight-Ridder is working on an article on health care fraud and federal efforts to address the problem.
  - The *Washington Post*, *Richmond Times Dispatch*, and *American Banker* are doing stories on Deval Patrick.
  - Deval Patrick will appear on the *Jim Lehrer Newshour*, *Armstrong Williams* show and *Court TV*.
  - *ABC News* is working on a one hour program about medical marijuana.

UNITED STATES TRADE REPRESENTATIVE

- **Telecom Negotiations:** Ambassador Barshefsky will continue calls to the CEOs of U.S. telecommunication firms to build support for the WTO telecom agreement. The agreement is scheduled to be concluded by February 15.

- **Brazil Autos:** On January 10, USTR requested WTO consultations with Brazil on her auto regime. After initiating its Section 301 investigation into Brazil's practices in October, USTR delayed implementation for up to 90 days to explore a bilateral solution. Brazil has rejected the proposed solution and has offered no counterproposal. The 90 day period expired on January 10.