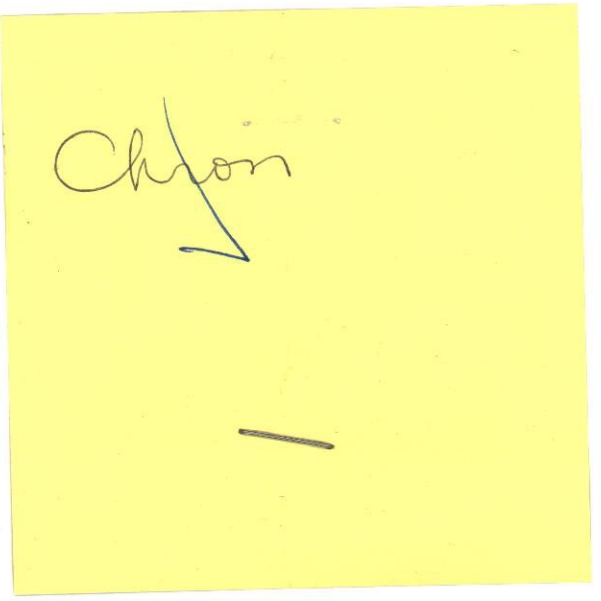
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March 7, 1997

THE PRESIDENT HAS SEEN
3-10-97

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig Smith

SUBJECT: Weekly Political Update

COS

IOWA

Steve Forbes is using his issue-advocacy group --Americans for Hope, Growth, and Opportunity --to run radio ads in Des Moines and Cedar Rapids supporting Gov. Terry Branstad's (R) 15% across-the-board tax-cut proposal.

ILLINOIS

Rep. John Porter (R) made statements this week which seem to indicate that he will not challenge Sen. Carol Moseley-Braun (D).

MICHIGAN

The President was very well-received at the state capitol in Lansing, Michigan. Press accounts quote both Republicans and Democrats praising the speech. *Clips are attached.*

MISSOURI

As you know, former Police Chief Clarence Harmon (D) defeated Mayor Freeman Bosley, Jr. (D), in Tuesday's Democratic primary with 56,894 votes (56%). Jay Dearing won the Republican primary with 508 votes (38%). Alderman Marit Clark (D) is running as an Independent, having sat out the primary in hopes of finding opportunity in the general election. Democratic nominees have won this seat since 1949.

The *Kansas City Star* reported this week that associates of Sen. John Ashcroft (R) believe he might consider a presidential run in 2000 when his current term ends.

NEW JERSEY

The New Jersey Democratic Gubernatorial Primary is shaping up as a two person race between State Senator Jim McGreevey and Rep. Rob Andrews (D-01). Following last weeks endorsement by ex-Governor Jim Florio, Andrews received the support of Rep. Robert Menendez (D-13). McGreevey is supported by State Senator and Clinton/Gore' 96 NJ Chair Ray Lezniak and Rep. Frank Pallone (D-06).

NEW MEXICO

On March 1, Eric Serna, 47, New Mexico State Corporation Commissioner from Santa Fe, was elected by the State Central Committee of the 3rd Congressional District to succeed ex-Representative Bill Richardson. Serna received 67 of 81 votes casted. The GOP nominee is Bill Redmond, 42, an ordained minister in the Santa Fe Christian Church. Richardson defeated Redmond in 1996, 67% to 31%. The Green Party elects their nominee on March 16th. The special election is May 13th.

Serna was elected to the State Corporation Commission in 1980 and was re-elected four times. He is the only Democrat who has run a statewide race and carried every county in New Mexico.

The day after the Inaugural and on opening day of the State Legislature, the Republican Party invested $70,000 into a media buy, half on Hispanic radio--a frequency of 1 ad every 2 hours. The ads attack Democrats for blocking Republican legislation. They recently raised increased their buy and it will run anti-Serna and pro-Redmond ads through May.

NEW YORK

A Marist College poll of 714 adults conducted February 24-25 showed: Mayor Giuliani with his highest approval level; Manhattan Borough Pres. Ruth Messinger as the leader in a Democratic Primary; and Mayor Giuliani with a sizeable lead over all of the Democratic candidates.

Giuliani Job Approval		Democratic Primary		General Election Matchups			
	APP/DISAPP						
Now	55%/43%	Messinger	36%	Giuliani	49%	Messinger	39%
9/96	43/53	Ferrer	27	Giuliani	48	Ferrer	36
12/95	35/63	Albanese	8	Giuliani	55	Albanese	22
		Sharpton	7	Giuliani	68	Sharpton	7

A Quinnipiac College Poll of 1,071 registered voters conducted February 24- March 2 showed Governor Pataki at his highest approval rating ever, 56% approval - 34% disapproval.

The poll also showed Sen. D'Amato behind all three of his Democratic challengers, but his approval rating has risen considerably since July. Most commentators point out that D'Amato was behind by the same amount much later in his last race, and that his successful attempt to move to the middle has been and will continue to be effective. In the last four months he has reached out to environmentalists, the gay and lesbian community, women, and the Jewish community. Democratic State Chair Judith Hope criticized the D'Amato transformation that seems to happen every five years by saying, "He's shedding his skin again."

General Election Matchups					
Ferraro	55%	Green	47%	Schumer	43%
D'Amato	34	D'Amato	35	D'Amato	36

Geraldine Ferraro's husband got in a little bit of trouble this week. He was sued by his former real estate partner alleging financial improprieties. Unfortunately, Ferraro's husband's problems just brought back stories of his alleged connection with organized crime.

SOUTH CAROLINA

Charleston Mayor Joe Riley announced that he would not run for Governor in 1998. Most analysts agree that this means that Gov. Beasley will cruise to re-election, and that it will be more difficult for Sen. Hollings to win re-election without a strong Democratic Gubernatorial candidate on the ticket.

WISCONSIN

Rep. Mark Neumann (R) traveled the state Monday to announce the creation of a Senate campaign exploratory committee and challenged Sen. Russ Feingold (D) to vote for the balanced budget amendment.

Former Kenosha City Council President Lydia Spottswood (D), who narrowly lost to

Neumann in 1994, is likely to run for the congressional seat again. She will be a very strong candidate.

cc: The First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Doug Sosnik

Clinton is a big hit

State legislators applaud his call for academic standards

GABRIEL B. TAIT/Detroit Free Press

Lt. Gov. Connie Binsfeld, rear, looks on Thursday as President Bill Clinton and Gov. John Engler admire state seals on the state House ceiling.

BY CHRIS CHRISTOFF
AND TRACY VAN MOORLEHEM
Free Press staff Writers

LANSING — President Bill Clinton on Thursday urged lawmakers to put aside political differences to make schools better by demanding higher academic standards.

In a speech enthusiastically applauded by the Legislature in a joint session at the Capitol, Clinton sought to make education a high-profile issue that will not only be his hallmark, but overshadow a political landscape dominated by campaign-finance scandals led by Clinton's use of the White House to reward big donors.

He heavily promoted national testing for fourth- and eighth-graders. He repeated his call for 3,000 charter schools nationwide, more federal funds to keep schools open later and giving parents more choice of where to send their children to school.

He said government has a duty to raise expectations of schools, and also of welfare recipients, who he said should work but also get more government help in finding jobs.

"Every state must put political differences aside, work in a bipartisan fashion, test our children in the same rigorous way," Clinton said, twice adding a line from his State of the Union address: "Politics should stop at the schoolhouse door."

Clinton said if some students struggle at first, it shouldn't result in lowering test standards.

"When we see people in difficult circumstances, sometimes out of the goodness of our heart we exercise our compassion by expecting less of them. And we are selling their future right down the drain every time," he said.

That line brought the only standing ovation of the speech from those assembled to hear the first presidential address in the Legislature in 90 years.

"Everybody got on their feet because in their

Please see CLINTON, Page 6A

CLINTON SUGGESTS

- Every child should read by fourth grade and do basic math and algebra by eighth grade.
- Voluntary national tests to assess how students meet the goals.
- Increasing by tenfold the number of charter schools by 2000. Michigan has 75.
- Using federal grants to get every classroom and library on the Internet by 2000. Michigan recently received an $8.6-million grant for technology upgrades and training.

Inside:

ARRANGING FOR MORE Michigan students to take a national test might not be easy. 6A

CLINTON'S VISIT to the Capitol was a political love-in, says Hugh McDiarmid. 6A

1 of 2

...ony Askew ...Highland Park hoped to see Clinton. "We have something in common. ... I'm the president of my school."

STEPHANIE SINCLAIR/Detroit Free Press

Clinton seeks academic standards

CLINTON, from Page 1A

heart of hearts, that's correct," said House Minority Leader Ken Sikkema, R-Grandville. Sikkema praised the speech as a special event that could bring both parties together to improve schools.

Former Gov. James Blanchard said Clinton wants to be the president who improved education as the nation heads into the 21st Century.

"I know this guy. He's not content with being president," Blanchard said. "He wants to be governor of America as well. He was governor of Michigan for a day" and Gov. John Engler "was lieutenant governor for a day."

Clinton also made several key statements about welfare.

He called for giving tax credits of up to 50 percent of a welfare recipient's salary, up to $10,000 a year, for businesses that hire them.

He also said he will push to repeal a portion of the reforms he signed last year that deny aid to legal immigrants.

"This is a great nation of immigrants," he said. "I think this is unworthy of us and I'm going to try to change it."

His speech prompted "as big a love-fest as you'll see around here for a long time," said House Floor Leader Pat Gagliardi, D-Drummond Island. "Some of the Republicans tried to tell me he sounded like a Republican. I told them they're sounding more and more Democratic."

Even Rep. Shirley Johnson, R-Royal Oak, who'd snarled earlier in the week about the Clinton visit, saying how how much she disliked him, stood and applauded and said afterward, "I do not disagree at all."

Engler, who was among a dozen or so Michigan officials who flew from Washington, D.C., with Clinton aboard Air Force One, called the 45-minute address "a tremendous speech" that endorsed many of Engler's own ideas, including charter schools and broader use of the National Assessment of Education Progress test, which Clinton promoted.

But amid the talk of cooperation, partisan political differences erupted after Clinton posed for photos and flew back to Washington. Democrats and Republicans used selected portions of the speech to point fingers at one another.

- Sikkema, Engler and other Republicans challenged House Democrats not to oppose lifting the cap on charter schools allowed in Michigan — a limit Democrats have called necessary to avoid opening shoddy schools. In his speech, Clinton said charter schools should stay open only if they do a good job.

"What's the argument, the president's wrong, too?" Engler said, adding that Clinton's speech would make it harder for Democrats to oppose unlimited charter schools in Michigan.

Democrats said charter schools should have strict standards before they're allowed to proliferate — standards they said the president surely would agree with.

- Democrats said Clinton's speech proves the need for a mandated core curriculum. Senate Majority Leader Dick Posthumus, R-Alto, said if that ever comes to the Senate, "it's dead on arrival."

Sen. Dan DeGrow, R-Port Huron, a leading GOP voice for public schools, said: "For Michigan, this was a Republican speech. Michigan Democrats are more liberal and union-oriented than in other states."

The speech seemed to offer something for just about everyone. It was upbeat and chatty, holding the 400 lawmakers, lobbyists, judges and other dignitaries rapt.

Clinton dwelled on the significance of the last presidential visit to the Capitol in 1907, when President Theodore Roosevelt came by train to an effusive welcome. Now as then, Clinton said, the nation is in a time of peace and prosperity that beckons for new ideas rather than complacency.

Clinton devoted a good portion of his speech to promoting national tests to measure fourth-graders' reading ability and eighth-graders' math skills.

While most Michigan educators applauded voluntary national standards, some questioned the need for additional testing.

"I have three children. Do I need them to take a national test to see if they can read? No. Any observant parent already knows that," said Gary Wolfram, a Republican member of the State Board of Education.

Wolfram said Clinton's 10-point education plan sounds reasonable, but is a recipe for growing federal intrusion.

But Kathleen Straus, president of the state board, said voluntary standards are harmless. "We are one country," she said. "The standards are voluntary, and if we don't like what's going on, we can do something about it."

Even if politicians can leave politics "at the schoolhouse door," that doesn't mean national testing will improve education, some educators said.

Robert West, a testing consultant for the Macomb Intermediate School District, said there has been no research into whether Michigan's own statewide tests "can predict a student's success on the job or in college."

2 of 2

3-7-97 10a

President Clinton entering the House Chamber in the Michigan Capitol in Lansing yesterday to address the state's lawmakers.

At Michigan Legislature, It's All Warmth for Clinton

By MICHAEL JANOFSKY

LANSING, Mich., March 6 — Washington may be absorbed with the daily twists and turns of the campaign fund-raising controversy, but here in central Michigan today it barely cast a shadow over President Clinton as he became the first chief executive since Theodore Roosevelt to address a joint session of the Michigan legislature.

Delivering a speech in which he urged adopting national education standards in reading and mathematics and making improvements in the welfare bill that was passed last year, Mr. Clinton received a rousing reception from Democrats and Republicans alike, including Gov. John Engler, a Republican, who supports many of the same ideas on education and welfare.

More than a few Republican lawmakers — to say nothing of Democrats — strained, fairly leaping over ropes, to touch Mr. Clinton or shake his hand as he entered the House and walked down the center aisle.

The effect was just the one that the White House had hoped for. The trip was the second in a series of visits to state legislatures intended to blunt the troubles over campaign financing and allow Mr. Clinton to whip up interest in his domestic agenda.

Residents of Michigan demonstrated what pollsters have been saying for weeks and what the White House is counting on, that campaign finance is not a burning issue for average Americans.

"Maybe people would talk about it over breakfast, but they wouldn't dwell on it," Cheryl Chapko, chief of staff to State Senator Harry Gast, Republican of St. Joseph, said as she sat in the Capitol gallery. "People here feel like they are removed from Washington. They have enough problems here in Michigan without dwelling on Washington."

Another visitor in the gallery, John Pirich, a lawyer from Lansing and a Democrat, said: "We all know it takes money to get elected. People here have been subject to the ravages of the cyclical impact of the auto industry. They're worrying if they still have their jobs."

The President's 45-minute speech gave no hint of troubles back East. Nor was the audience response an indication that his popularity had flagged. Lawmakers on both sides of the aisle stood several times to underscore their enthusiasm for points that Mr. Clinton stressed. He received another bipartisan ovation at the end, and later, returning to Washington on Air Force One, he sounded at once like President and former Governor of Arkansas, saying: "I love state legislatures. They are all real life."

But was he not worried, a reporter asked, that the unfolding drama over campaign donations was shouting out his agenda? He flashed a wide-angle smile and said, "I thought my message got through just fine."

The distance between the universes of Washington and Lansing was also visible earlier, when Mr. Clinton's spokesman, Michael J. McCurry, briefed reporters after the speech. Mr. McCurry was asked only isolated questions about points that Mr. Clinton addressed on education and welfare or other issues, with the rest focusing on Hillary Rodham Clinton's chief of staff, Margaret A. Williams, and interpretations of the laws that govern political contributions that, in the Administration's view, will keep her out of trouble.

"He's well aware we're in a feeding frenzy, and he's got to endure it," Mr. McCurry said of his boss and not looking the least bit exasperated at yet another defense of Administration goings-on. "He's pretty used to this environment."

At the end of the briefing, Mr. McCurry asked, "Any Michigan questions?"

There were none.

The trip followed by a month a similar visit to lawmakers in Maryland, where the reaction was much the same.

But although he broke no new ground today, he seemed to bask in the glow of friendly surroundings and his momentary connection to the last President who stood in the same spot. When he closed his remarks by saying, "Thank you for making me feel so welcome today," it sounded very sincere.

MAR-06-97 01:13 FROM:

Oakland Press
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STATE

Clinton, Engler agree on schools

President's speech puts some state Democrats in awkward position

By TOM MURPHY
Of The Oakland Press

LANSING — President Bill Clinton and Gov. John Engler may agree that "politics should stop at the schoolhouse door," but Republicans and Democrats in Michigan remain divided on a host of educational initiatives.

Clinton

One of the thorniest issues in Michigan — charter schools — was hailed by Clinton in his speech Thursday to the state Legislature as a way to improve education by offering more choices to families.

The president said he wants to "increase by tenfold the number of charter schools we have by the year 2000. ... We want to say to them, 'You can stay open only as long as you do a good job.' That's what the charter means. That's what a charter is."

Clinton's stand puts state Democrats, who have been cool to the idea of charter schools, in a tough position. On Wednesday, Senate Democrats voted against a bill to lift the cap on charter schools in low-income areas. The issue passed in the GOP-held Senate, but its prospects in the Democrat-controlled House are uncertain.

"I think before I support it I need to look at it closely. I'm not ready to take from public educa-

SEE CLINTON/A-15

a5 3-7-97

CLINTON

FROM PAGE A-1

President's praise puts state Democrats in awkward positions

tion and give it to charters," said state Rep. Nancy Quarles, D-Southfield. "More emphasis should be put on public education so everyone has an opportunity to get a quality education."

Other Democrats were less willing to stand publicly in opposition to their president on the charter issue.

"We're not against charter schools," said state Sen. Gary Peters D-Bloomfield Township. "It's a worthwhile experiment. We just need to be careful as we're moving forward."

Peters said he voted against the bill Wednesday because it would have allowed some charter schools to discriminate in admitting students, which would have cost the state $80 million in federal funds. Republicans, including Sen. Dan DeGrow of Port Huron, called the argument "ridiculous."

While Clinton and Engler seemed to exude an air of bipartisanship on behalf of the nation's children, Rep. John Freeman, D-Madison Heights, said Republicans and Democrats in Michigan will continue to disagree on other school issues, including establishing a core curriculum and educational standards.

"I don't see everything as rosy as some people say," Freeman said. "The concept that a few charter schools will drastically improve schools is nonsense. We need to improve the schools that are now in place because the vast majority of kids will still go there."

In his 47-minute speech, Clinton repeated many of the themes in his state of the union address — at least two years of education past high school. Internet access for all children, schools of choice, teaching right and wrong in classrooms, additional money for school construction, a tutoring program to help children read independently, 100,000 more master's teachers nationwide and uniform national standards, particularly in reading and math.

Republican legislators, such as Sen. Mat Dunaskiss, R-Lake Orion, were largely supportive of the president's ideas, saying they had been pursuing many of the same proposals for more than 10 years.

Richard Simonson, assistant superintendent of Oakland Schools, said he is not surprised that Michigan Democrats seem less enthusiastic about charter schools than their party's president.

"We have a pretty strong public school system, and there's a tradition in Michigan of strongly supporting public schools," Simonson said. "Polling data here shows most people think their public schools are pretty good, and any tampering with that is something that causes people concern."

State Rep. Tom Middleton, R-Ortonville, praised Clinton for saying that compassion is not the answer for schools if it means lowering expectations from young people.

"When I was raising my children, it was easy to let them off and drop the standards so you didn't have to keep hounding them," Middleton said. "But we need to keep that pressure on to get quality schools."

The president and governor pledged to work together on a system that prepares young people for jobs in a global economy and trains adults on welfare to work for a living.

Engler said he and the president have had constructive talks about education, and that they share much common ground.

"We are focused on a significant challenge — improving the education of all our children. No challenge confronting our state and nation is more urgent," Engler said. "Where our children are concerned, our search is not strictly for a Republican solution or a strictly Democratic solution, but an American solution. A solution that unites rich and poor, parents and teachers, principals and employers."

Marion Ginopolis, superintendent of Oxford Area Community Schools, attended the speech and said she was glad the nation's future was the emphasis rather than politics.

"As a local superintendent I didn't hear one thing that was said today that I wouldn't support for kids — high standards, high expectations, assessment of accountability," Ginopolis said.

The Associated Press/WILFREDO LEE

President Clinton receives an ovation from the Michigan State Legislature and Gov. Engler (right)

2 of 2

CLINTON VISIT: LESSON FOR LEGISLATORS

Michigan goes to school

Clinton pushes state to lead nation in movement to improve education

By Greg T. Borowski
Lansing State Journal

With history as a backdrop, President Clinton delivered an urgent lesson plan on education and cooperation Thursday to a rapt group of state officials and lawmakers.

In his speech at the Capitol, Clinton pushed a long list of proposals, from volunteers to help children read to tax credits to pay for college, but won the most applause for a simple message about standards.

He told the packed audience, filled with lawmakers, dignitaries and a few well-connected lobbyists, that all students must do better on tests that measure their progress — and adults must expect it from them.

"This will not be easy," Clinton said. "If they don't do very well at first, it's probably more our fault than theirs.

"When we see people in difficult circumstances, sometimes out of the goodness of our heart, we exercise our compassion by expecting less out of them," he said. "And we are selling their future right down the drain every time we do it."

Those lines, toward the end of his 43-minute speech, earned Clinton a standing ovation. They also highlighted his common-ground approach — one that left both Republicans and Democrats satisfied.

"Bill Clinton has always been very progressive when it comes to education, both as a governor and as president," said Rep. Frank Fitzgerald, R-Grand Ledge. "Many of the ideas he has long held are ones that we as a party have supported in this state."

The day had a bipartisan feel from the start.

Clinton arrived in Lansing for his fifth visit in five years with Republican Gov. John Engler — and most of the state's congressional delegation — following him down the steps of Air Force One.

House Speaker Curtis Hertel and Lansing Mayor David Hollister, both Democrats, were part of the airport welcoming party, along with a giddy mix of schoolchildren.

All had praise for at least part of Clinton's plan, which includes a push for more charter schools, tougher testing standards and more computers in the classroom.

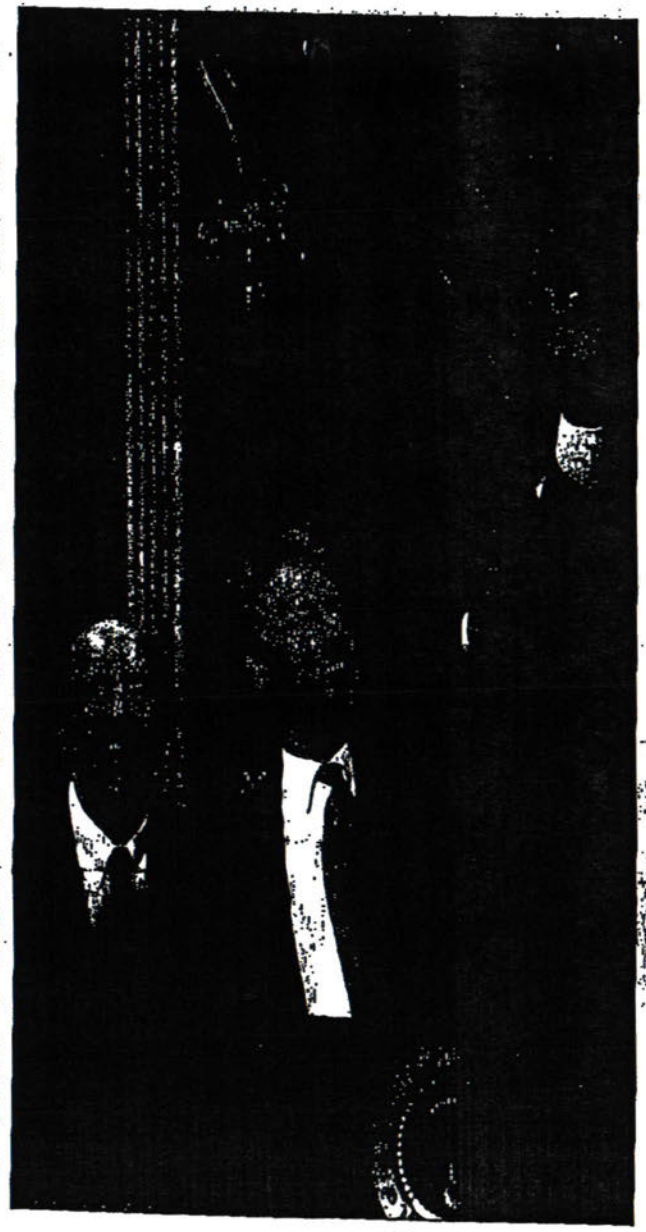
"I think he was here to celebrate what we have in common, not to highlight differences," said former Gov. James Blanchard, a Democrat and longtime Clinton friend who traveled here with the president.

"This was supposed to be a bipartisan trip, not a partisan rally."

The speech to a joint session of the Legislature was the first by a president since Republican Theodore Roosevelt in 1907. Clinton made a camera-popping entrance to the House chambers, with lawmakers and others snapping pictures and grasping for handshakes while those in the gallery above jockeyed for a better view.

The speech was Clinton's second to a state legislature to push the education goals he outlined during the 1996 campaign and in his recent State of the Union address.

Please see CLINTON, 8A



GREG DeRUITER/Lansing State Journal

Special pullout section inside

■ Democrats and Republicans have different takes on same speech, but both sides liked it. **Page 5A**

■ President Clinton wows teen columnist at airport. **Page 6A**

■ Crowd outside Capitol have different reasons for coming. **Page 6A**

■ Excerpts from the address to the Legislature. **Page 7A**

■ Students use speech as springboard for debate on education. **Page 7A**

■ Clinton visit notebook. **Page 8A**

Welcoming wave: President Clinton waves to the gallery in the House chambers Thursday before addressing a joint-session of the Legislature. Flanking him are House Majority Leader Curtis Hertel (left) and Senate Minority Leader John Cherry (right).

Clinton: Both parties like speech

Continued **FROM 1A**

The first was last month in Maryland.

"There is no Democratic way or Republican way," Clinton said. "There is no Maryland or Michigan way to learn. Reading is reading, math is math. Politics should stop at the schoolhouse door."

That may not happen immediately in Michigan, where even as education is at the top of everyone's agenda, there are disagreements on just what approach to take.

The GOP, led by Engler, has pushed for more choice for parents and creating independent charter schools. Democrats, who control the House, have resisted, saying charter schools siphon money from traditional public schools and should have clearer standards and safeguards.

In the House, Democrats are pushing a return to a state-mandated curriculum for public schools — something Republicans removed during the last session, arguing that local control was more important.

Little of that was mentioned Thursday, however, as Hertel and Engler sat behind Clinton — one on each side — both beaming throughout the speech.

Before Clinton spoke, Engler stressed that Michigan is ready to be the first state to use national test questions to see how its students measure up. He also highlighted the state's 79 charter schools — two areas where he and Clinton appear to be in sync.

GREG DeRUITER/Lansing State Journal

Worth the wait: Therese Breuninger (left), Cindy Allen and Margie Moore clap as President Clinton waves to them from his car Thursday. The three are Legislative Services Bureau workers.

"No challenge confronting our state or the nation is more urgent," said Engler, also greeted by applause.

In the midst of awe-struck references to the power of the Internet and the early-years growth of a newborn's brain, Clinton sketched out his own plan.

At the center: standards.

"It doesn't matter if your child makes the highest grade in the class if nobody gets over the standards bar," he said. "And it doesn't matter if your child makes the lowest grade in the class if everybody gets over the standards bar."

Among Clinton's proposals:

■ Childhood literacy. With the help of volunteers, every student should be able to read by the third grade.

■ More charter schools. He wants to double federal startup money and have 3,000 nationwide by 2000.

■ College affordability. Tax credits and an increase in grant money would send more students to college.

■ Computers. Every classroom and library should be connected to the Internet.

While here, Clinton announced an $8.6 million grant aimed at boosting technology in Michigan schools that have large numbers of low-income students.

In his speech, Clinton told of finding four books to help his daughter, Chelsea, with a research paper, only to discover she already had found eight articles on the Internet.

"This is an incredible thing," he said. "If we make this available to all children, it will change in a breathtaking way what people can become, what our children can imagine themselves becoming."

The president worked in several references to Roosevelt, comparing the challenges of his time — when cars and electricity were new — to today, as the country faces a new century while enjoying peace and prosperity.

"This is a rare time," Clinton said.

While the presidential visit was less rare for Lansing than most cities its size, a growing crowd of more than 100 gathered on the north side of the Capitol just to watch the motorcade leave.

Some waited for nearly two hours in the cold.

"It's exciting," said Leslie Cimadevilla, a Cooley Law School student who waited with a pocket camera and a hat pulled over her ears.

Linda Rademacher of St. Johns waited during her lunch hour, hood pulled tight over her earmuffs.

"I guess I kind of agree with most of his policies," she said. "To me, he seems like a very likeable person. Lately, though, it seems like they're trying to find some fault with him."

Staff writer Chris Andrews contributed to the story.

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IN OUR OPINION

TEACHER CLINTON

President makes important points on schools, tests

The substance of President Bill Clinton's speech to the Legislature Thursday was a yawner: a rehash of his education initiatives, with some juvenile-justice and welfare talk sprinkled in. Yet he did well in expressing what may be his most motivational message: "We can do this."

The president has great skill at making his listeners feel included in, and even warmed by, his rhetoric. That talent shows to its maximum effect when he is making a nonpartisan plea, as with his repeated urging to state lawmakers to have politics stop at the schoolhouse door. Infusing his talk, too, was a core optimism that he believes everyone can succeed.

Mr. Clinton's delivery was so low-key that some of his best points weren't good fodder for TV news clips. He likened schools to army units, with leadership that can be taught and trained to build troops that — no matter where they are based or what their specialty — meet a standard the country can rely on in wartime. Similarly, he said, schoolchildren can be led to "succeed and triumph in the modern world."

He extended his confident, inclusive tone to student testing, stressing that having a high test score means nothing if no one can meet basic standards, and that having a low score is irrelevant if everyone can get over the standards bar. And he noted, comfortingly, that Americans may have to live with initially dreary results, as has been the case with Michigan's new High School Proficiency Test.

Mr. Clinton's support for nationwide pupil testing ought to help reinvigorate the case for testing here. He was speaking about state governors and lawmakers, but he could just as well have been addressing parents and school administrators when he said of test-taking: "I want to create a climate in which no one can say 'no.' ... It's voluntary, but you are ashamed if you don't give your kids a chance to do this."

Shortly thereafter, he delivered his biggest applause line: "By expecting less of them, we are selling their future right down the drain."

That combination of high expectations and an underlying belief in everyone's ability to succeed is a big part of what the president communicated so well in what was essentially a pep talk to Michigan's lawmakers. If his address was not history-making, it brought home an important theme in an important way.

WILFREDO LEE/Associated Press

President Clinton acknowledges the joint session of the Legislature while Gov. Engler applauds.

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Our Opinions

'Rare time'

Clinton visit could be an education catalyst

Part history and part history lesson, President Clinton's address Thursday to lawmakers was a seminal moment in Michigan's ongoing education debate.

As for Clinton's grander reform plans, they face an uncertain congressional future. His call for national testing standards needs to be thoroughly weighed against the needs and self-rule of individual states.

Yet the president's insistence on basic education reform rings true. Clinton sternly challenged the "dumbing down" syndrome in some schools, saying children are handed no favors by expecting too little of them.

"We are selling their future right down the drain every time we do it," Clinton said.

Clinton's challenge spoke most directly to parents and educators rather than to lawmakers and Congress.

High standards. High expectations. A high degree of accountability. Those were the president's words, touching on the essence of education reform.

Higher standards and expectations mean a collective willingness to discard old notions, to do more and do better. They mean we will expect more from students, teachers, parents, schools, and the entire supportive community.

Clinton recalled the last time a sitting president addressed the state Legislature — Theodore Roosevelt in 1907. He compared Roosevelt's presidency to his, a period of relative national tranquility but also an era poised for change.

"This is a rare time," said the president, reflecting on other presidencies plagued by civil war, world war or depression.

Rare peace and prosperity are easily overlooked in a cynical age. That shouldn't be so. Michigan should accept the president's challenge as a personal one, and make Thursday's presidential visit not a historical footnote but a watershed for Michigan edcuation.

MAR-08-97 01:19 FROM:

Republicans embrace Clinton's education ideas

Oakland Press 3-7-97 A15

THE ASSOCIATED PRESS

LANSING — President Clinton declared Thursday "this is a rare time" that the nation should seize to forge a new bipartisan partnership for improving schools.

Clinton used his speech to a joint session of the Michigan House and Senate to push the education agenda he laid out in his State of the Union message, including more charter schools, national testing and letting parents choose which school their child will attend.

"This is not a partisan issue. There is no Democratic or Republican way to learn. There is no Maryland or Michigan way to learn. Reading is reading, math is math," he said.

It was a speech that rang true to both Republicans and Democrats as members of each party read into it support for their own education visions. Lawmakers interrupted the president's 45-minute speech 24 times with applause, and got to their feet when he urged high standards for all students.

"... When we see people in difficult circumstances, sometimes out of the goodness of our heart, we exercise our compassion by expecting less of them. And we are selling their future right down the drain every time we do it," Clinton said to prompt the ovation.

One audience member deals with Clinton's subject every day as principal of Henry Paideia Academy, a public elementary school struggling in a poor, urban section of Grand Rapids.

"I couldn't hardly sit in my seat, he was so right-on with what he said," said Ruth Jones. "The children can do it. We can do it."

Gov. John Engler, who rode back from Washington aboard Air Force One with Clinton, told the crowd that he and the president had found common ground on education. The governor had earlier announced Michigan wanted to be the first state to volunteer to test fourth-graders in reading and eighth-graders in math, using the national tests Clinton has been promoting.

"I thought it was a tremendous speech," Engler told reporters later.

The president urged:

- National testing in reading and math. Although it would not be required, Clinton said states should do it so they know how their students compare.
- Tax credits for college tuition costs.
- Federal funds to lower the costs of borrowing money to fix rundown schools.
- Hooking every school and library up to the Internet by the year 2000.
- More freedom for parents to choose which public school their children will attend.
- A tenfold increase in the number of charter schools in the country.

The governor said Clinton's backing of charter schools would make it hard for Democratic lawmakers to continue to oppose GOP efforts to remove the limit on the number of charter schools in Michigan.

"What's their argument? The president's wrong on that, too?" he said.

Sen. Dan DeGrow, R-Port Huron, said Clinton endorsed the agenda Michigan Republicans have been pushing for years.

"I don't know whether to be worried or encouraged that I felt very comfortable with the president's speech — all of it," he said.

Democrats basked in the pleasure of having a sitting president of their own party in their midst, but they put a different slant on Clinton's charter school comments.

Rep. Sharon Gire, D-Clinton Township, chair of the House Education Committee, said Clinton emphasized a need for accountability and oversight, as Democrats in Michigan also have stressed, by saying they need to be held to national standards and should be closed down if they fail to meet them.

"That's not what we're doing here in Michigan," she said.

"He's not saying, 'Do anything called a charter school and we'll give you money.'"

Several Democrats took care to note that charter schools were not the primary focus of the speech.

"Though he had a line or two on charter schools, the majority of his speech was on high standards," said Rep. Jim Agee, D-Muskegon, a gubernatorial candidate and longtime critic of Engler's education policies.

Agee said he believes it's hypocritical of Engler to sign on to national testing without also endorsing mandatory content standards in the classroom.

To Rep. Gary Peters, the most exciting part of the speech was Clinton's announcement that Michigan would receive $8.6 million for technological upgrades to its schools. The funds could be used to train teachers in new technology and to buy computers, software and Internet access.

"People are going to be left behind" without such help, the Pontiac Democrat said.

The president received a warm welcome when he arrived, 22 minutes late, for his speech to about 500 lawmakers, state officials and invited guests.

He worked his way slowly up the center aisle of the House chamber, careful to shake every outstretched Democratic hand on the left side of the aisle before turning to his right to shake the hands of Republican lawmakers, too.

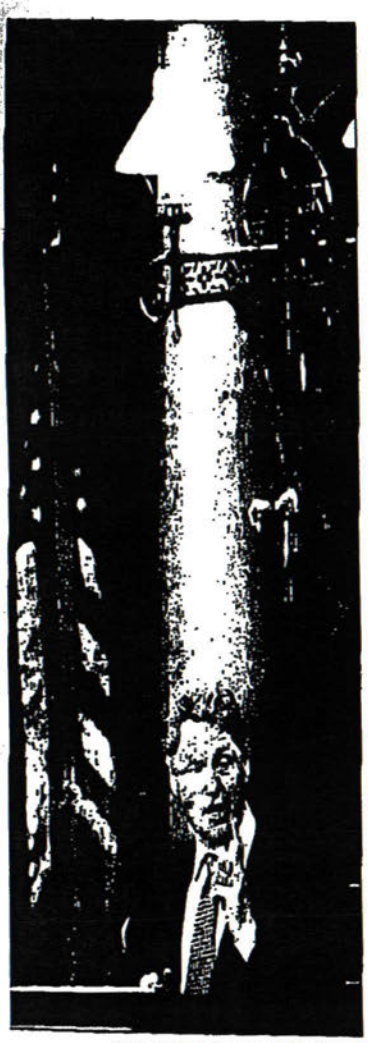
At the front of the chamber, the president craned his neck to look at the ceiling as Engler pointed out the glass panel bearing the image of Arkansas' state seal, located right next to the panel bearing Michigan's state seal.

Clinton drew many parallels between his time and the era of the last president to address the Michigan Legislature — Theodore Roosevelt, who spoke to a joint session in 1907.

Peace and prosperity reigned in both periods, Clinton said, and that's what makes this a rare time when the nation can concentrate on such things as improving education.

Clinton lived up to his reputation as a skilled communicator with his earnest, conversational style, said Rep. Jon Jellema, R-Grand Haven.

"I liked his approach," Jellema said. "He talked about non-performance in a very positive way."



GREG DeRUITER/Lansing State Journal

Presidential point: President Clinton stresses a point during his 43-minute speech.

Classroom looks to Clinton

3-7-97

Speech is jumping-off point for seventh-grade debate on education

By Mark Mayes
Lansing State Journal

EAST LANSING — MacDonald Middle School seventh-graders made two points clear after tuning in to President Clinton's Lansing address.

His plan to give every student Internet access by 2000 is a hands-down winner.

And watching the speech on television definitely beats math class.

"We need to know what he's talking about, too," said Shawn Farzam, 13, a seventh-grader. "We're the future and not just the adults."

Clinton aimed his education address — a call to action for tougher classroom standards and improved college access — at legislators during a rare Capitol appearance by a president.

The president didn't manage to sneak in a stop at a local school despite invitations by the Lansing schools superintendent and the mayor. But MacDonald teacher Jack Johnson made sure his students got a chance to see and hear the president live.

He interrupted the regular day to give students a current events lesson via television.

"The president speaking in town today is not something you can eliminate from their perspective," said Johnson, who makes the news a daily part of class for his students. "This is what's going on today. They're interested and they have opinions."

One topic that generates some of meeting challenging standards.

But Malcolm Hardy, 12, said tests' the strongest opinions among students is school uniforms. President Clinton supports the idea, but students were disappointed he didn't touch on the issue during his address.

Uniforms are unpopular with most MacDonald students, and Diana Hosler, 12, wanted to hear from the president just how hard he's going to push the issue.

"No one's going to be able to express who they are," she said.

National tests, which Clinton did mention, also appear a tough sell on students. The president wants all fourth- and eighth-graders to take national tests to ensure they're aren't the answer.

"It seems like they're testing your brain on this one test, which really doesn't tell you anything," he said.

Johnson said his students often are frustrated that so much emphasis is placed on the Michigan Education Assessment Program test, the state's standardized assessment of math, reading, science and writing skills.

Students also take personally the recent criticism of public schools and talk about the state taking over failing school districts, he said. Johnson was glad to see Clinton focusing on giving educators and students more tools to achieve higher standards.

"I like Clinton's positive approach," he said. "He's encouraging. He's setting goals. There are other politicians who are more confrontational."

Clinton may have come to push his educational plan, but just his presence could pay dividends if it inspires parents and volunteers to get involved, he said.

"I think just him coming here to speak lets the public know it's important," Johnson said.

And, while students didn't get to see Clinton's speech in person, they still were excited he came to town.

"I think it's good that he's worried about our education," Hosler said.

BRUCE POLLACK/Lansing State Journal

Government lessons: Cara Davidson (left) and Ashley Guerrant (right) watch President Clinton's address with their classmates at East Lansing's MacDonald Middle School.

> "They're interested and they have opinions."
>
> **Jack Johnson**
> MacDonald Middle School teacher

3-7-97

HUGH MCDIARMID
Politics

Bipartisan truce nice while it lasts

Talk about a love-in.

It was as if Air Force One, Bill Clinton at the controls, had made a low pass over the Capitol on Thursday, drenching it with . . . well, some form of high-powered tranquilizer spray.

Oh, sure, it wore off after awhile.

But while the prez was in town . . . well, it was as if civility, collegiality and galloping bipartisanship had suddenly seized all the hot-bloods and ideologues who normally infest the Capitol and turned them all into cherubs . . . or maybe political eunuchs.

Gov. John Engler, who flew from Washington with the president and welcomed him warmly in front of the joint legislative session, beamed, smiled, nodded and applauded all through the president's 45-minute speech (about education and welfare reform) and, afterward, told reporters it was "tremendous."

Former Gov. Jim Blanchard, who'd flown in on the same plane (He and Engler chatted amiably aboard but didn't sit together. "It's a big plane," Blanchard deadpanned.) labeled the speech superb and said it outlined an essentially bipartisan agenda. "There is absolutely no reason for Democrats or Republicans not to agree on it," he said.

And state Sen. Dan DeGrow, R-Port Huron, seemed to summarize the prevailing legislative reaction when he said later: "I feel very comfortable with the president's speech — all of it!"

And so it went for the three hours or so the president was inside the Capitol.

Oh, sure, not everything was perfect.

Immediately following the speech, national press types accompanying the president engaged in a venomous, 15-minute give-and-take with Clinton spokesman Mike McCurry over the latest revelations of White House/Democratic Party fund-raising hanky-panky.

But that was away from the House floor where warmth and camaraderie were still the rage.

And, yes, state Sen. Jim Berryman, D-Adrian, an announced 1998 candidate for governor, engaged in what he later termed a "personal protest" against Engler and legislative Republicans (but not, he emphasized, against Clinton) and watched the speech on television in the near-empty Senate chamber.

He accused the GOPers of hypocrisy for claiming to embrace Clinton's education reform agenda while, he charged, turning their backs on such reform in Michigan.

Also, there were quiet groans from some Democrats, who complained about Clinton's praise for Engler and Engler-style charter school reforms. And, of course, there were similar groans from some Republicans who thought Engler, instead of welcoming the president, should have told him to get lost.

Still . . .

Well, look. This was — as has been well-publicized — the first address by a sitting president to a joint session of the Michigan Legislature in 90 years. It was an event, a SPECTACLE! And not many of us are likely to be around the next time.

So, why not behave . . . at least for a few hours, eh?

Footnotes

THE ETERNAL GENERAL: Engler brought down the house, when he referred to Theodore Roosevelt's address to a joint session of the Michigan Legislature in 1907. Then, pointing to Michigan's venerable attorney general, Frank Kelley (35 years in office and counting), remarked: "Attorney General Kelley tells me it was quite an occasion."

(Note: House GOP leader Ken Sikkema, R-Grandville, later told reporters that Kelley had predicted Engler might use such a line.)

Meeting the president makes kids' wait worthwhile

3-7-97

By Todd Schulz
Lansing State Journal

To those aboard Air Force One, Carlos Cosey must have looked like the perfect welcome for President Clinton.

The 9-year-old bundled in a black coat flashed a toothy grin and a yellow cardboard sign that read, "We love you Mr. President," as Clinton's plane taxied across the runway Thursday morning at Capital City Airport.

Minutes later, Cosey and nine other local students found themselves face-to-face with the leader of the free world.

"I'll remember it forever," said Cosey, a student at Mid-Michigan Public School Academy in Lansing.

Same for the other students, who earned the chance to meet Clinton by writing essays and letters to the Lansing State Journal. U.S. Rep. Debbie Stabenow made the arrangements with the White House.

The group — ranging in age from 9 to 17 and representing 10 local schools — arrived at the airport about 9:15 a.m.

They spent about an hour watching Secret Service agents, reporters and police prepare for the visit before a White House staffer ushered them onto the runway to await Air Force One.

Darrell Crockett, a 9-year-old from El-Hajj Malik El-Shabazz Academy in Lansing, pulled his coat over his head and its sleeves over his hands to ward off the cold.

ROD SANFORD/Lansing State Journal

Souvenir smile: Carlos Cosey, a third-grader at Mid-Michigan Public School Academy, gets an autograph from Clinton.

When Clinton emerged from the plane, he greeted local officials, including Mayor David Hollister, and headed straight for the students, who were stationed near the presidential limousine.

"Thanks for waiting for me," Clinton said, his smiling face beet red from the frigid air.

The president spent about five minutes with the students, who were accompanied by Diane Spicer, a Grand River Elementary School fourth-grade teacher. He shook hands, collected gifts, signed autographs and posed for group pictures.

Katelyn Christensen and Ashley Thomas, both 9 years old, gave Clinton a notebook filled with some of the more than 700 letters written to the president by Lansing-area students.

A few more smiles, a few final waves and the president ducked

Please see **KIDS, 8A**

Kids: Visit was worth the wait

Continued **FROM 1A**

into the limo for the trip to the state Capitol to address lawmakers.

"It exceeded my expectations," said Brian Ngo, a 17-year-old senior from Holt High School. "It's a great experience to shake his hand and talk to him.

"When you see him on TV, you don't see him as a real person."

Ngo wasn't the only student who saw a new side of the president.

"I didn't expect him to be so enthusiastic," said Emma Tai, a 12-year-old from MacDonald Middle School in East Lansing. "I'm going to go back to school and all my friends will say, 'Oh, you're so lucky.' "

Tai said Clinton was taller in person than on television.

Meeting the president cleared up a different misconception for Cosey, who included a drawing of Clinton with his letter. The next time Cosey sets out to capture the president's image on paper, he'll use a different color crayon.

"His gray hair surprised me, I thought it was brown," he said with a smile.

Crowd gathers for presidential glimpse

3-7-97

By Betsy J. Miner
Lansing State Journal

From abortion protests to the Hokey Pokey, the scene outside Michigan's Capitol Thursday was anything but ho hum.

A crowd of about 300 huddled there — most hoping for a glimpse of the silver-haired southerner in from the nation's capital. A few others merely wanted to make a point.

Each had their own reason for skipping school, work and other obligations to be part of Lansing's own presidential drama.

Larry and Linda Cummins of DeWitt were certain that if President Clinton was going to meet the town's folk, he would seek out those close to him.

So they bundled up for the 26-degree day and traipsed out onto the Capitol's snow-dusted lawn — holding a large flag from Arkansas. They figured the mostly red banner might earn them a handshake.

"We thought the president could use a friendly face," Linda Cummins said, gripping the flag bought in an old Arkansas gas station a few years back.

Larry Cummins grew up in Paragould, Ark. So Clinton is a hometown hero for him: "My mother voted for him when he was just a boy — for governor."

Across the way, a group of fifth-graders from Holland brainstormed ways to beat the biting wind chill.

"You do the Hokey Pokey and you turn yourself around. That's what it's all about," they sang, jumping in unison. The kids trekked to town from Holland's Vanderbilt Charter School to let President Clinton know they love the way they learn.

"We get more schooling, less recess," Peter Szymczak said. "That's a good thing. We're learning about justice and virtues."

If he had the chance — which he didn't — Szymczak said he would tell the president charter schools are the best.

"He should support them all that he can," he said.

Jim Pouillon of Owosso also had a message. His 4- by 5-foot sign, bearing a gruesome photo of a mangled fetus, told everyone he's against abortion.

Pouillon, a member of Operation Lifesaver, said the picture triggered some negative response from the dozen or so schoolteachers there with their classes for the morning.

"They said it was offensive," he said. "I told them it offends me too, that's why it should be illegal."

"Our president is in favor of this. The blood of innocent babies is on his hands."

A black stretch limousine pulled up to the Capitol's north entrance and the cluster of people shifted, cramming into a taped off area hoping to see Clinton.

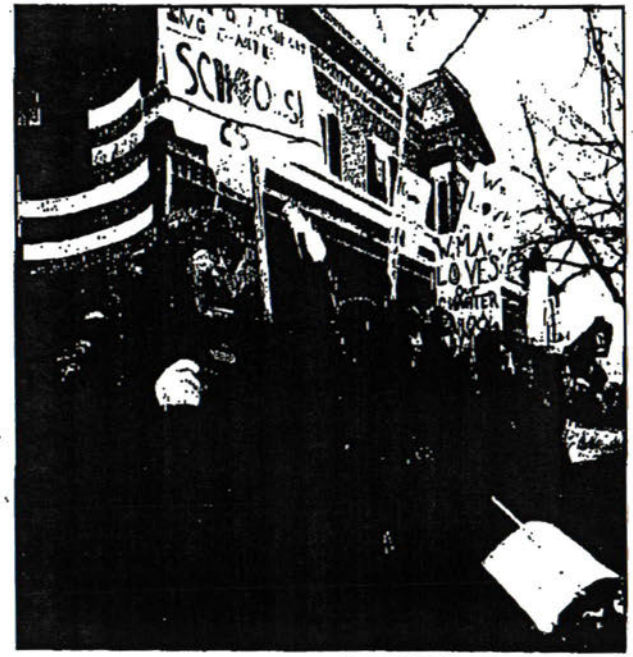
Joy Wallace of Lansing was first in line. She leaned against a light post and beamed at the black vehicles that lined up in the driveway.

"I have a flower for you," she said, holding out a single purple iris, carefully wrapped in clear cellophane.

The card attached read: "Thanks for all you do."

"He's doing a good job as our leader and our president," she said. "I just want him to know that."

But the president never came into view, let alone close enough to accept Wallace's gift.



DAVID OLDS/Lansing State Journal

Motorcade greeting: Morgan Goossen (left), a fourth-grader at the West Michigan Academy of Environmental Science in Walker, waves as Clinton's motorcade passes. The academy is a charter school, a concept pushed by Clinton and Gov. John Engler.

Margo Spiritus feels incredibly fortunate to have been able to work for you. It has been a monumental experience, for which she is extremely thankful. The most rewarding aspect has been bringing "Make-A-Wish" children to Washington and seeing their faces as they see you for the first time. You make such a difference in their lives.

To Dorskind for Reply?

yes ✓

no ___

3/8/97

After four wonderful years in Washington, I have made the difficult decision to leave. Before I depart, I wanted to let you know how incredibly fortunate I feel to have been able to work for you.

When I graduated college in May '92, I never imagined that I would spend half of my 20's working on two Presidential campaigns, at the Commerce Dept for Sec. Brown and in your scheduling office for almost three years. Working for you at the W.H. has been a monumental experience, one for which I am extremely thankful. How a young woman such as myself could have had enough good fortune to find herself at the White House is a question I ask myself frequently.

The most rewarding aspect of my job has been having the opportunity to bring "make-a-wish" children to Washington to meet with you. Seeing the smiles on these children's faces as they see you for the first time is such a gratifying experience. You really make such a difference in these children's lives.

As I mentioned, it is difficult to leave here but please know that I am grateful for the opportunities you have given me. Each day I came to work I felt like I was seeing "history in the making" I know that these memories will last me a lifetime.

Very truly yours,

Margo Spiritus

Robert A. Farmer sends editorial which appeared in the paper the day after he made public announcement of his departure from Bermuda. It describes him as a "hard act to follow" and indicates he had served you and the Democratic Party well. One was always conscious that Bob Farmer was the representative of his country doing his best for the U.S. and his best to make friends for the U.S.

3-8-97

To Dorskind for Reply?

yes ✓

no ____

AW

CONSULATE GENERAL OF THE
UNITED STATES OF AMERICA

Hamilton, Bermuda

'97 MAR 7 PM 1:46

February 26, 1997

Ms. Nancy Hernreich
Assistant to the President
The White House
Fax: 202-456-6703

Dear Nancy:

As you know, I am under consideration for an ambassadorial assignment at one of our embassies overseas. I was most surprised and pleased, therefore, to see the attached editorial in this morning's paper, which followed yesterday's public announcement of my departure from Bermuda later this year.

My assignment here has been an honor and a pleasure, and I believe I have served the President well. I appreciate your taking the time to read the enclosed. Nancy, it would mean a great deal to me if you would share this with the President.

Warmest regards,

Bob

Robert A. Farmer
Consul General

Will we see you before August?

2/26/97

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A hard act to follow

Every so often the service of a public figure stands out as above and beyond what we expect. In the vernacular, that person becomes known as "a hard act to follow".

When United States Consul General Robert Farmer finishes his three-year term in Bermuda next summer, he will indeed be a hard act to follow. President Ronald Reagan set a pattern for political appointments as Consul General in Bermuda. The job was considered a plum: beautiful house with a beach, not too far from the US and plenty of golf. President Clinton gave the job to Bob Farmer who had served him well and who had served the Democratic Party well.

Not everyone in Bermuda thinks that political appointments are a good idea nor have they all been a success and there are those who prefer Consuls General who are trained State Department personnel. Yet Bob Farmer has found general acceptance in Bermuda and has done a magnificent job for his country.

No previous Consul General and certainly no Bermudian public figure in recent times has managed to make so many friends and such a wide range of contacts throughout Bermuda. It is fair to say that Bob Farmer knows "everyone", entertains "everyone" and talks to "everyone". Clearly, in less than three years he has become the most integrated man in Bermuda.

Most of the politically-appointed Republicans who came before him as Consul General have stuck close to protocol, officialdom and the United Bermuda Party. Not Bob Farmer. He recognised that he represented the United States and a President who is a Democrat and that Bermuda has two political parties with almost exactly equal public support.

Opposition Leader Jennifer Smith has been quoted as saying, "We shall miss him. I think that in this posting he went to great lengths to establish himself as a friend of all political parties and that was greatly appreciated."

At the same time Premier David Saul says, "He has done a good job while he has been here and has worked in the general community....We wish him all the best in the future."

Bob Farmer turned Chelston, the official residence in Paget, into a kind of United States entertainment centre. His huge July 4 party attended by hundreds, ranging from the Premier of Bermuda and H. Ross Perot to the postman, was a landmark in "across the board" entertaining. At the Chelston dinner table over the Bermuda Fish Chowder you might find Governor Lord Waddington or the Governor of Indiana or Senator Dodd of Connecticut or Bermuda's social lionesses or Kitty Dukakis but you might just as well find Bob Farmer's latest golf partner, or his new bridge opponent, a controversial social activist, some Farmer friends from Cleveland, a Bishop or a young American couple Bob Farmer had met that day on the street.

Without the social and political baggage locals carry about, Bob Farmer was known to throw together close friends as well as longtime enemies. Yet Chelston was the neutral ground on which it was hard not to get along.

You were always conscious that Bob Farmer was the representative of his country doing his best for the United States and his best to make friends for the United States.

Mistakes? One or two but nothing serious.

Success? Bob Farmer is the quintessential hard act to follow.

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE
WASHINGTON

3/9

(copied
Pat Cox
Emanuel)

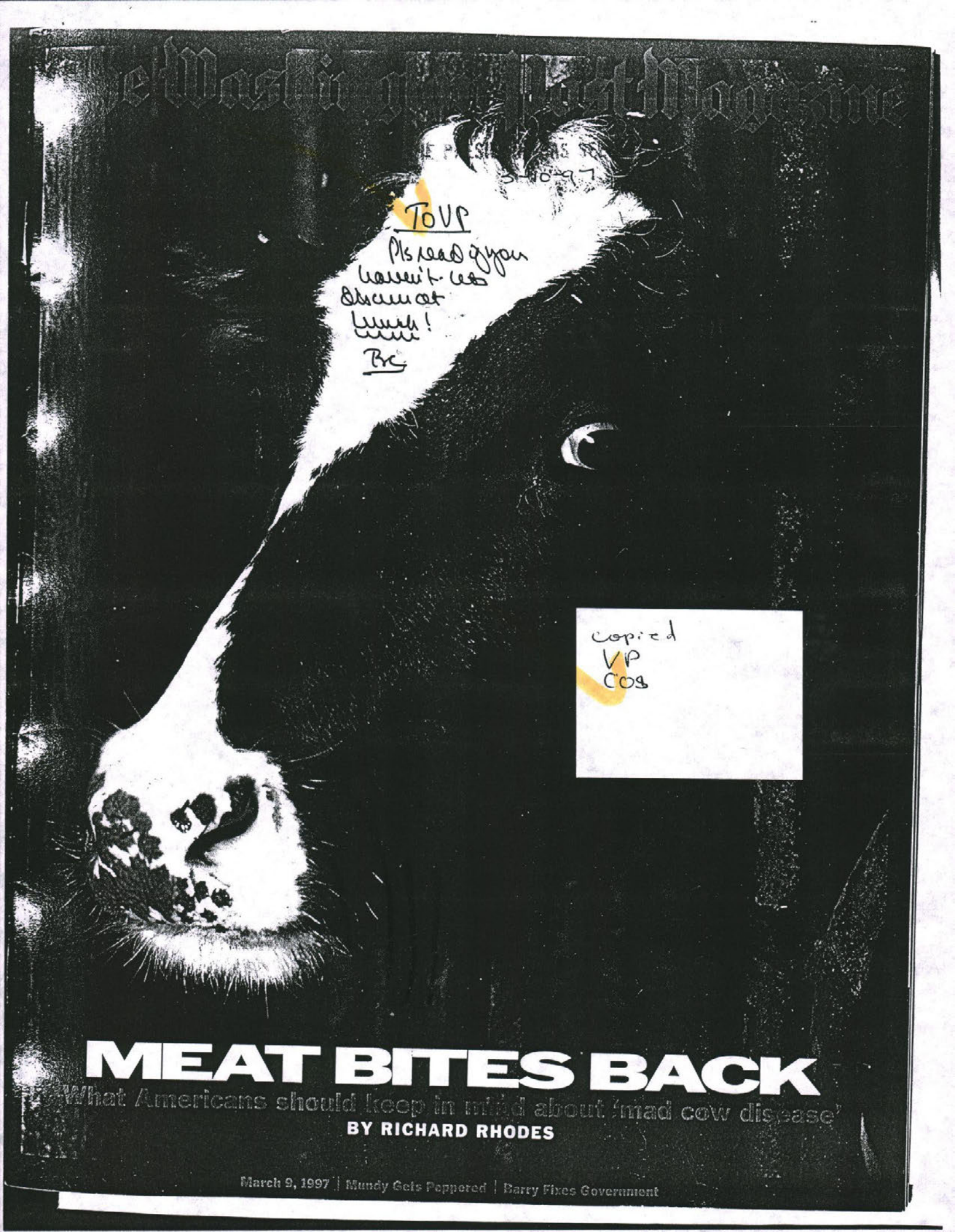
Natasha Hale

Nancy Susan Reed Lewis
Creighton NT

Wants to participate
in Summit of Sciences

This a good suggestion to a few days
make sure it gets done

PL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MEAT BITES BACK
What Americans should keep in mind about 'mad cow disease'
BY RICHARD RHODES
March 9, 1997 | Mundy Gets Peppered | Barry Fixes Government

Mad Cows and Americans

The epidemic began with a veterinary mystery in southeast England 12 years ago. It led to the identification of a new variant of a fatal human brain disease last spring. Now U.S. regulators are preparing rules to protect Americans from 'mad cow disease.' Can we avoid Britain's calamity?

Since they handle them twice a day for milking, farmers know their dairy cows, big females with soft eyes, calm dispositions and udders like downy kettledrums. "It was the 25th of April 1985," remembers Colin Whitaker, a burly English veterinarian with a shock of dark hair, "when one of my dairy clients phoned up to say he'd got a cow behaving oddly and would I come and have a look at it." Whitaker lives in Kent, the county of hop fields and dairy farms in southeastern England that includes Canterbury and Dover. He drove to Plurenden Manor farm in central Kent, where his client maintained a herd of 300 milking Holsteins—large-boned black-and-white animals, a valuable dairy breed.

What veterinarian Colin Whitaker saw that day in April 1985 when he visited an English dairy farm marked the onset of the epidemic.

One of the Plurenden Manor Holsteins was sick. "When you approached her," Whitaker recalls, "she

BY RICHARD RHODES PHOTOGRAPHS BY ALASTAIR THAIN/IPG

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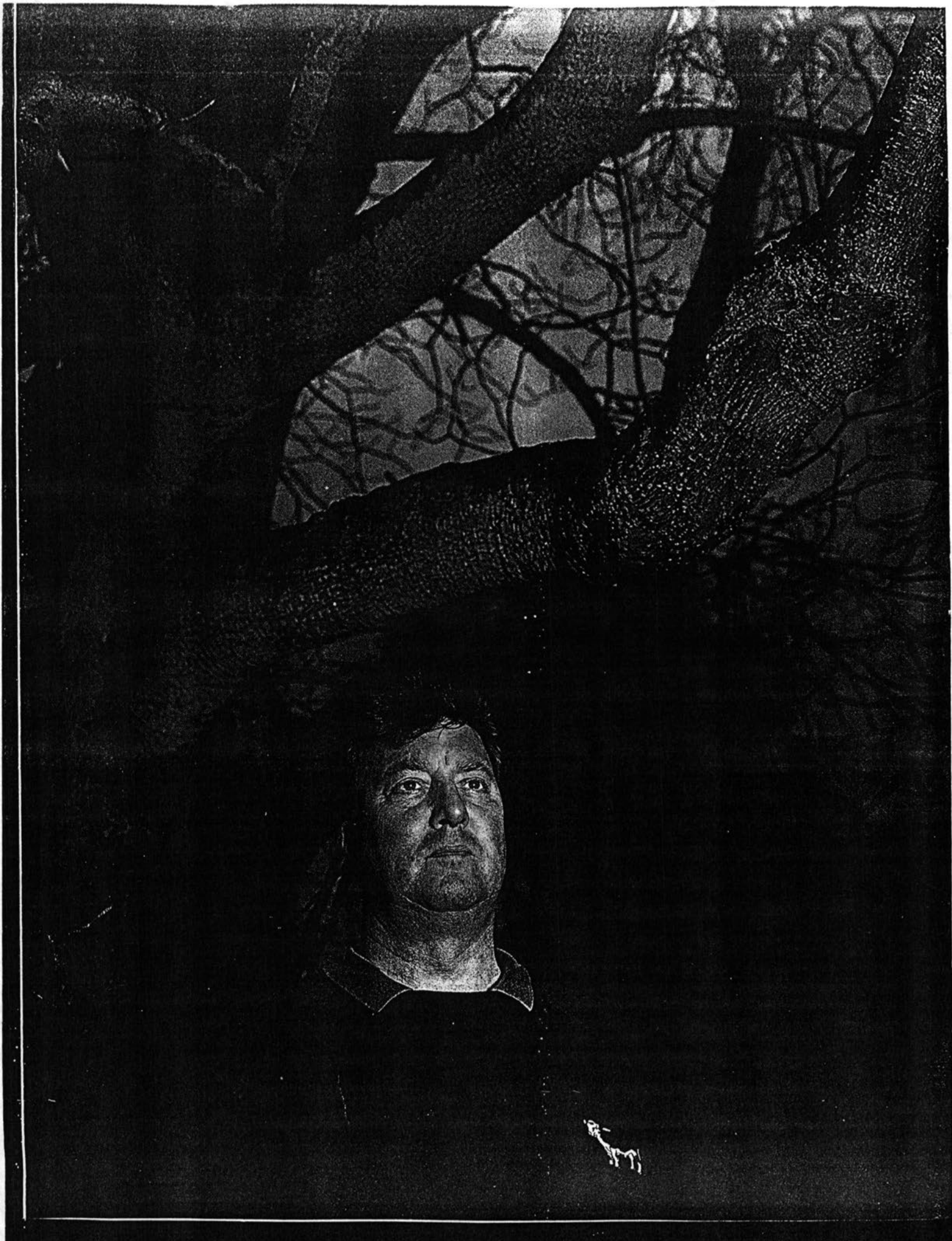

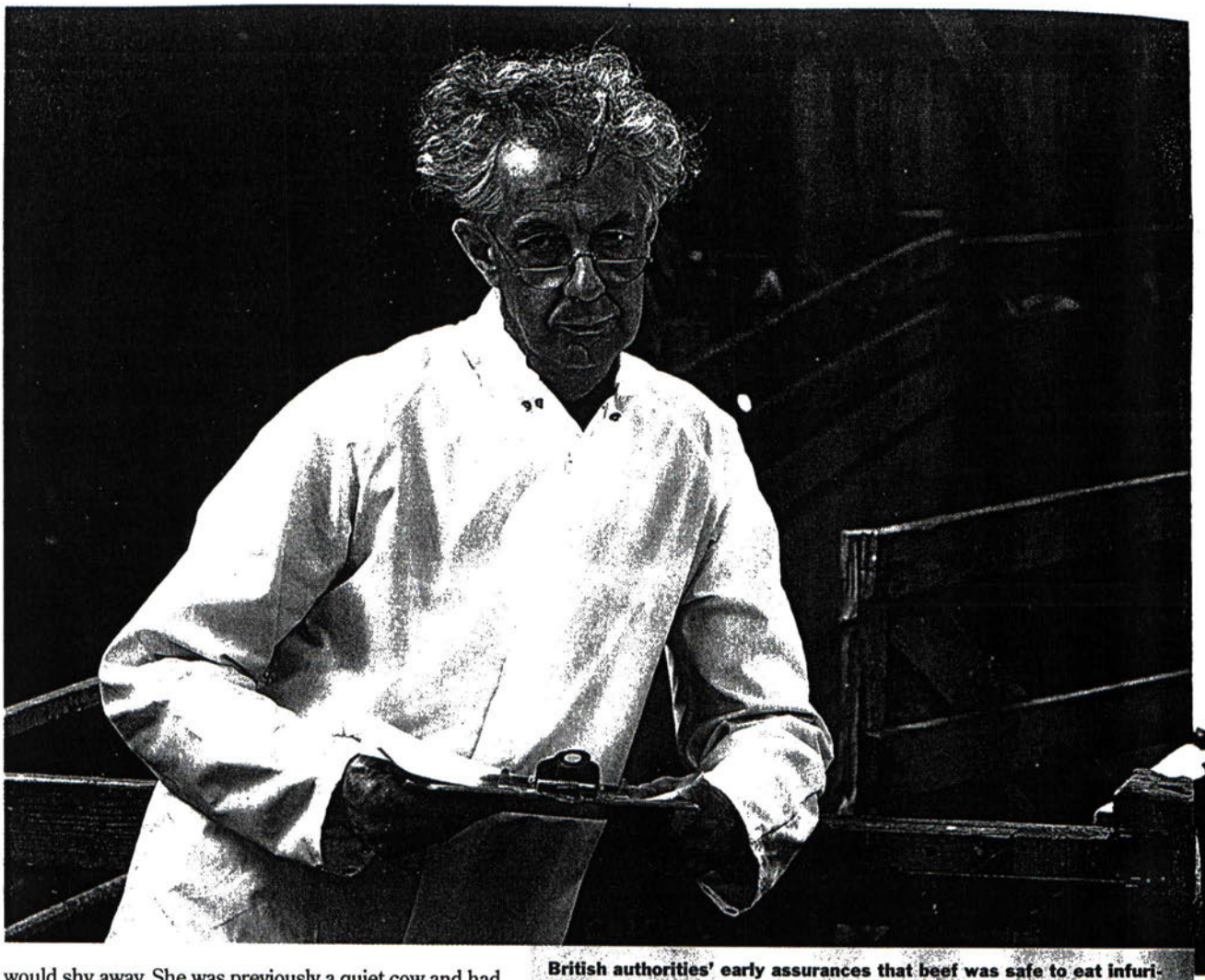

British authorities' early assurances that beef was safe to eat infuriated Alan Dickinson, an expert in animal diseases. Near right, Agriculture Minister John Gummer and daughter Cordelia down hamburgers to make the government's case. Far right, a section of the brain of a cow infected with BSE, as seen through an electron microscope.

would shy away. She was previously a quiet cow and had started becoming aggressive, rather nervous, knocking other cows, bashing other cows and so on . . . She would also at the same time become rather uncoordinated. If you shooed her, she would stumble, particularly on the back legs, and go down, and then scrabble along."

WHAT DID 200 COWS FROM ALL OVER ENGLAND AND WALES HAVE IN COMMON? THE INVESTIGATION NARROWED TO ONE FOCUS: FOOD CONTAMINATION, IN PARTICULAR IN THE FORM OF MEAT-AND-BONE MEAL.

Whitaker examined the sick animal and diagnosed ovarian cysts, a common cause of aggressive behavior and nymphomania in cows. He treated the cow for the cysts, but across the next several weeks her staggering and stumbling worsened. "Eventually she went down," he says, "was slaughtered and went to the knacker's yard." ("Knacker's yard" is the traditional English term for a rendering plant, a place where dead animals and slaughterhouse wastes are processed into commercial products such as meat-and-bone meal.)

Seven more cows sickened and went down at Plurenden Manor in the next 18 months. By 1986, three other herds had been identified with three similar cases in far southwestern England. Dairy farmers and private veterinarians like Whitaker alerted the Ministry of Agriculture, Fisheries and Food (MAFF). Since epidemics typically begin with an index case—a first focus of infection—the distribution of the outbreak in widely separate areas was surprising, because the herds involved were closed, with no contact with other cattle and no importations. How did the disease jump from one end of England to the other?

MAFF's Central Veterinary Laboratory in Surrey, near London, began investigations. The condition resembled no disease of cattle previously known. The lab had difficulty acquiring properly preserved brains from suspect cows, but by the summer of 1987, it found "scrapie-associated fibrils," a marker of a fatal class of brain diseases known as transmissible spongiform encephalopathies. The lab scientists published their first brief report in the British Veterinary Record in October, defining a new disease of cattle they designated "bovine spongiform encephalopathy," or BSE. Soon the media would nickname the new condition more sensationally for the nervous, aggressive behavior it provoked in normally peaceful animals, calling it "mad cow disease." Caricatures of befuddled, loony black-and-white cows became a staple of

British cartoonists. Headline writers recycled Noel Coward's "mad dogs and Englishmen" into "mad cows and Englishmen" to the point of cliche. But the disease was no laughing matter.

By the end of 1987, BSE had appeared in herds throughout England and Wales, some 420 confirmed cases. More ominously, cases were increasing from month to month enough to predict that the numbers of animals dying would double annually—exponential growth, a chain reaction of fatal disease. Epidemiologists, led by John Wilesmith of the Central Veterinary Laboratory, had begun collecting in May 1987 detailed information on 200 cases. They keyed their results into a BSE computer database. Then they looked for causes. One important clue was the fact that BSE had broken out more or less simultaneously throughout Britain. All the early cases proved to be index cases, the first in their herds, which suggested infection from a common source. What did 200 cows from all over England and Wales have in common? Not veterinary or agricultural chemicals, the epidemiologists determined. Not genetics: The disease affected a number of different breeds. BSE couldn't have been imported into the herds, because many of them were closed. Not all herds had contact with wildlife such as deer that might carry disease. Scrapie, another spongiform encephalopathy, which infects sheep and is endemic in Britain, was an obvious possibility, but not many cattle farms kept sheep, so how would the cattle have picked up the infection? Nor had scrapie ever spread to cattle before.

Eliminating these and other potential common sources left one probable focus: food contamination. The fact that BSE occurred much more frequently in dairy herds than in beef cattle was a correlative clue. What foodstuff was fed to dairy cattle but not routinely to beef cattle? One in particular seemed to fit this restriction: supplemental protein in the form of meat-and-bone meal.

Beef cattle are fed grass or hay while they're growing, then fattened with grain. For milk production, on the other hand, a dairy cow requires a fortified diet. A good Holstein dairy cow produces some 30 to 40 pounds of milk per day, and to make so much protein requires a high-protein diet. Dairy farmers feed their cows high-quality hay and grain, but hay and grain alone are not enough to maintain high-volume milk production. For that, for centuries informally, but systematically and commercially beginning during the Second World War, dairy farmers have boosted their milking cows' rations with a twice-daily portion of protein supplement. Soybean meal makes a nutritious vegetable supplement. Britain unfortunately doesn't grow much soybean. An alternative source of protein supplement in Britain and many other countries, including the United States, is meat-and-bone meal from the knacker's yard: the ground, cooked and dried remains of dead animals, including downer cattle (cattle found collapsed or paralyzed) and sheep dead of undiagnosed disease. Beef cattle are also sometimes fed meat-and-bone meal during the final fattening stage. Cattle (and sheep, pigs and chickens) are thus made cannibals in the interest of cheaper milk and meat.

High-quality animal protein is a relatively rare commodity in the world; not surprisingly, every part of beef and dairy cattle is eaten, recycled back into the next generation of animals or processed into commercial products. "You have just dined," Ralph Waldo Emerson once reminded a New England audience about the philosophical consequences of the human taste for meat, "and however scrupulously the slaughterhouse is concealed in the graceful distance of miles, there is complicity, expensive races—race living at the expense of race . . ." Today we wouldn't say "race"; we'd say "species"—species living at the expense of species. But sometimes meat bites back.

Once the disease that was killing British cattle was revealed to be a spongiform encephalopathy, contaminated animal protein was an obvious source. C.J. Gibbs Jr., Carleton Gajdusek and their colleagues at the National Institutes of Health in Bethesda had reported successful oral transmission of scrapie—as well as kuru and Creutzfeldt-Jakob disease, related fatal brain diseases in humans—to spider monkeys by unforced feeding of brain tissue in 1980. American physician Stanley Prusiner and Australian researcher Michael Alpers had shown oral transmission via cannibalism in hamsters in 1985. But meat-and-bone meal had been fed to cattle in Britain and throughout the world for decades without transmitting BSE. Had something changed?

To find out, Wilesmith and his epidemiologists arranged for three government veterinarians to conduct a survey of all the rendering plants in Britain. To give them a starting point, the epidemiologists needed to know when British cattle first became infected with BSE. They looked at the different ages of the 200 animals they were studying. Triangulating back, they estimated that exposure had begun suddenly and simultaneously in the winter of 1981-82. That estimate—exposure to BSE in calfhood and an incubation period of four to five years—has stood the test of time.

The three veterinarians carried out their survey in the autumn of 1988. Rendering plants are the goriest expressions of the recycling spirit, hellish places of steam, blood, grease and stink. There were 46 such plants in operation in Britain in 1988, of which 39 kept useful records. By chopping, grinding, cooking and dissolving on a Brobdingnagian scale, they produced tallow—rendered beef fat—and what the British call greaves. The Oxford English Dictionary defines "greaves" as "the fibrous matter or skin found in animal fat, which forms a sediment on melting and is pressed into cakes to serve as meat for dogs or hogs, fish-bait, etc.; the refuse of tallow; cracklings." In modern practice, greaves were cooked down in stainless-steel vessels from the various materials delivered to the rendering plants from slaughterhouses, deboning plants, butcher shops and farms: fat trimmings, bones, offal (guts, heads, tails, blood, the "off-fall" of slaughtering, butchering and knackering), carcasses of cattle, sheep and pigs, even feathers from poultry—in 1988, some 1.3 million metric tons.

Some of the plants processed the greaves further into meat-and-bone meal, which is a scab-colored powder (sometimes pressed into pellets) with a pungent, salty, bloody fecal smell. They used a number of different processing systems, some batch, some continuous. An American system for continuous rendering, which was cheaper than batch rendering, had come to dominate the market;

the American system rendered wastes at lower temperatures than the processes it replaced. That was one significant change in meat-and-bone-meal processing that the investigating veterinarians discovered. Another was the abandonment of solvent extraction. Flammable solvents that dissolved fat had been used for many years to enhance tallow removal. But an explosion at a British chemical plant in 1974 had led to the introduction of tough new standards for solvent use, and rather than investing in expensive new machines, the rendering industry had decided largely to forgo solvent extraction. The epidemiologists concluded that the combination of lowering processing temperature and abandoning solvent extraction had spread the disease.

Meat-and-bone meal is generally produced and distributed locally; when the epidemiologists learned that the only plants that had continued to use solvent extraction were two in Scotland that produced most of that region's meat-and-bone meal, they took the difference for corroboration of their theory: Scotland had been the last region of the country to report BSE outbreaks.

The British government hadn't waited for Wilesmith's epidemiological study to be completed to address the epidemic—though it would later be criticized for moving too slowly nonetheless. In the spring of 1988, it had set up a committee chaired by an Oxford zoologist, Sir Richard Southwood, to study the problem and recommend government action. The committee had recommended imposing a ban on feeding ruminant-derived protein to ruminants (ruminants are hooved animals that chew their cud, including cattle and sheep), and that July, the government had complied.

Behind the ban was the assumption that BSE was scrapie, not picked up directly on the farm but passed to cattle through infected sheep waste incorporated into meat-and-bone meal by inadequate processing. If BSE wasn't scrapie, British veterinary scientists argued, what was it? No such native disease of cattle had been seen before the Plurenden Manor outbreak, at least not officially. In fact, there were other possibilities, and they would eventually be debated among scientists if not officially acknowledged. But the scrapie hypothesis was the Central Veterinary Laboratory's "primary hypothesis," according to Wilesmith. Tragically, assuming that BSE derived from scrapie predisposed British officialdom also to assume that the disease was not likely to spread to humans from BSE-infected meat—because scrapie had not spread to humans despite hundreds of years of eating scrapie-infected lamb and mutton. British officialdom concluded that however costly BSE might be to the cattle industry, the risk of BSE infecting humans was nil.

A month after the feed ban took effect, farmers were barred from selling cattle obviously ill with BSE. But this restriction did not extend to animals from BSE-infected herds, which might be incubating the disease without yet showing symptoms.

Nor did the British government pay adequate compensation to farmers and processors for their losses. A tall, ruddy, Cambridge-educated microbiologist at the Medical Research Council Neuropathogenesis Unit in Edinburgh, Hugh Fraser, remembers getting angry about the government's attitude—"and," he says, "I don't get angry very easily.

"The real culprit is the British Treasury. The Treasury could have solved this whole blooming problem by putting in adequate compensation, buying back the contaminated meat-and-bone meal which they said it was illegal to use . . . The stuff continued to flow through the system."

Similarly, the government offered farmers as compensation only 50 percent of market value for their sick animals—giving them inducement to market those animals for food before their symptoms became obvious.

Ironically, the triggering event of the BSE epidemic may not have been the feeding of contaminated meat-and-bone meal to cattle. Evidence turned up later that meat-and-bone meal had probably never been processed at a temperature high enough to inactivate the BSE agent. An increased *percentage* of meat-and-bone meal fed to cattle may in fact have triggered the epidemic. "Indeed," reported the science journal Nature, "one factor involved in the spread of BSE in the United Kingdom was that inclusion of meat-and-bone meal in animal feeds jumped from 1 to 12 percent during the 1980s, a shift that resulted from a fall in the value of the pound and a corresponding increase in the cost of soya and fish meal." A blip in world financial markets may thus have begun the leak of BSE into the human food supply.

The Southwood Committee issued its report in February 1989. Three of the four members of the committee were retired from active science and none was expert on the spongiform encephalopathies. They emphasized the assumed link between scrapie and BSE and the improbability of scrapie passing to humans. They found "no evidence of maternal or horizontal transmission of BSE," meaning no evidence that it spread from cows to their calves or from cow to cow directly. They endorsed the theory that the disease was spread in contaminated meat-and-bone meal from 1981 until the ruminant-feed ban was put in place in July 1988. They predicted that BSE would continue to infect cattle at the rate of about 350 to 400 head per month until 1993, would decline to a low level by 1996, and would subsequently disappear, resulting in a cumulative total of 17,000 to 20,000 cases.

When the Southwood report appeared, reported BSE cases were already up to 500 per month, higher than the steady-state numbers the committee had predicted. By the end of 1989 they would rise to 900 per month. By February 1995, they had accumulated to 143,109 confirmed cases, not the mere 20,000 the committee had predicted.

Late in 1989, MAFF ordered a further ban on the parts of cattle from BSE-infected herds thought most likely to carry the infection—whether or not the animals had shown signs of infection. "Specified bovine offals," the parts were officially called, meaning brain, spinal cord, spleen, thymus, intestines and tonsils. An environmental health officer, David Statham, later told British television that when MAFF ordered the ban, "there was no guidance as to how that removal was to take place. We had examples of slaughterhouses where they were splitting heads open with meat cleavers, trying to cut skulls open with chain saws, trying to suck the brain out through the hole that had been used to stun the animal." A veterinarian, Marja Hovi, described going to a slaughterhouse "to see the loading of the heads, just to check what the conditions were. I saw 150, maybe 200 heads being thrown into a truck in a heap, where you could see the brain material seeping out through the holes when

TOP MIDDLE PHOTOGRAPH BY REUTER/S. KRETTLY/ARCHIVE PHOTOS. BOTTOM BY ROB CRANDALL/TOLIO. RIGHT BY GORDON/KATZ/SABA

Farmers and other meat industry workers discuss the crisis just a week after the British secretary of health, Stephen Dorrell, top left, informed a stunned nation that BSE had probably spread to humans from eating beef. To protect U.S. consumers, outgoing FDA Director David Kessler, bottom left, this year proposed a ban on certain feeds.

the heads were upside down, running down onto the heads below and contaminating whatever was beneath. When the heads arrived at the plant, the meat from the cheeks—usually this is poor-quality meat—was trimmed off for use in hamburger, for human consumption." A meat inspector, speaking anonymously, reported that "the specified offals were out of control. All of the material was supposed to be collected up, stained [to identify it as unusable] and removed from the building. But what we actually saw was specified offals being mixed up with other material." Statham, the environmental health officer, concluded: "We were being given mixed messages, particularly from the government. We were being given the message that this really wasn't a problem anyway and so this was maybe a bit of window dressing, as opposed to a serious public health matter."

Whether by negligence or by intention, the government was misleading the public into believing that beef was safe to eat. MAFF's chief veterinary officer, a gray, balding bureaucrat named Keith Meldrum, had insisted in public interviews since the beginning of the epidemic that it carried no implications for humans. In January 1989 he explained his reasoning on BBC television. "The evidence on BSE," he instructed the British public learnedly, "is derived mainly from our knowledge of scrapie, and there is no evidence, scientific or otherwise, that scrapie does transmit from sheep or goats to man. Using that as our model, we are fairly confident that BSE does not transmit to man."

The government's position made Alan Dickinson, director of the Medical Research Council Neuropathogenesis Unit, furious. As long ago as 1976, well before the BSE outbreak, Dickinson had written that "we should not assume, at this stage of our knowledge, that scrapie agents are never transmissible to man from infected meat, particularly as we know that some types of cooking would not inactivate the infectivity." Studying the transmission of scrapie to goats, he had found the agent present not only in the tissues excluded by MAFF's later specified-offals ban but also notably in muscle—which is to say, in meat. "The way you train the high-flying administrators, the mandarins," he says today, "can be summed up in one sentence. It is to train people to be at ease with their consciences when they take decisions about things they do not understand." The administrators were directing the British government's response to BSE, protecting the cattle industry. Dickinson, Hugh Fraser and others who had studied scrapie for decades were shunted aside.

THE BRITISH DISASTER MAKES IT EVIDENT THAT HIGH-TECH CANNIBALISM RISKS SPREADING LETHAL DISEASE. THE PRACTICE CONTINUES IN THE U.S. FOR THE SAME REASON IT CONTINUES IN BRITAIN.

The death of a cat in May 1990 caused a national panic in Britain. For a few weeks, beef consumption dropped by a third and London schools temporarily banished British beef from their menus. Max, a neutered 5-year-old male Siamese, shared a household in Bristol with four other cats. His owners had noticed in *continued on page 28*

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MAD COWS

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December that Max sometimes seemed to fall asleep standing up. A month later he began staggering. His head tilted permanently to the right. Sudden noise startled him. His skin twitched and the twitching evoked frantic licking and chewing. By May, Max's back legs had failed him. At that point his owners mercifully had him euthanized. Naturally occurring spongiform encephalopathy had not been reported previously in cats. "No cause for alarm at all," chief veterinary officer Meldrum said on television on May 10. "This is only one cat death out of 7 million cats in the U.K." Sixty-two other domestic cats would die in the next four years before the government admitted that contaminated pet food probably killed them.

Richard Lacey—an outspoken Leeds physician and microbiologist who has crusaded against the British government's management of the BSE epidemic—is a ruddy, portly man with a high forehead and thinning white hair who would not look out of place in an 18th-century English coffeehouse. He attracted national attention for the first time in regard to BSE after Max's death when he told the London Sunday Times that the disease was still increasing among British cattle, implying that it was spreading through maternal or horizontal transmission, and that all the infected herds should be destroyed. The Sunday Times translated Lacey's statement into a headline: "LEADING FOOD SCIENTIST CALLS FOR SLAUGHTER OF 6 MILLION COWS." That blunt proposal summoned a carpet-bombing of reassuring press releases from MAFF. The minister of agriculture himself, a red-cheeked young Conservative named John Gummer, assured himself a place in British history by feeding his daughter Cordelia a hamburger before a mob of TV cameras while insisting that British beef was safe.

By the time of Max's death, a number of zoo animals had died of novel spongiform encephalopathies. A nyala (an African antelope) had been diagnosed all the way back in June 1986. Subsequently, oryxes, elands, kudus, a puma, a gemsbok and cheetahs would be stricken. Some of the zoo animals had been fed rations that incorporated infected meat-and-bone meal, and the biological characteristics of their infections matched those of BSE-infected cattle. But some of the kudus and elands and one of the oryxes were born after the introduction of the ruminant-feed ban, and one kudu was the offspring of a feed-infected kudu, which meant the disease may have passed from animal to animal in these cases, maternally or horizontally.

Richard Lacey appeared before the British Parliament's Agriculture Committee in June 1990. Although a Conservative member of Parliament who owned a meat-packing company tried to discredit Lacey's testimony, he held his ground and made several important points. One was that there was no evidence linking BSE with scrapie in sheep and in fact every reason to believe that the disease arose in cattle independently, since sheep and cattle had grazed together for generations with no known passage directly between them. In the absence of some test for BSE infection, Lacey argued, the only rational government policy was to slaughter the infected herds. Otherwise, infected animals that were not yet symptomatic would certainly pass—were certainly passing—into the human food supply.

Two British dairy farmers died of Creutzfeldt-Jakob disease in 1993. The government argued that the deaths could be accounted for within the normal incidence of sporadic CJD, which appears worldwide, seemingly randomly, at a rate of one case per million people per year. But a freckled, blond, blue-eyed 15-year-old, Victoria Rimmer, began coming home from school exhausted in May 1993 and the illness that followed could not be so glibly explained away: CJD is extremely rare in people under 30 years of age. Her grandmother Beryl, who was raising her, said later that Vicky "began losing weight dramatically and I thought she'd got anorexia. I started getting calls from friends and the school asking, 'What is wrong with Vicky?' As the weeks wore on, she became worse. She was falling everywhere, like you see those cattle falling. She kept saying to me, 'What's the matter with me, Mum?' She just couldn't understand what was happening to her. We'd be out in the town and she'd have to sit down on the floor because she felt so terribly tired in herself. Between the end of May and August, she got a terrible pain in her arm and neck—she was in agony, crying all the time. I took her to the doctors eight times but they said there was nothing wrong."

Beryl Rimmer eventually found a doctor willing to admit her granddaughter to a hospital for tests. He thought a measles virus had infiltrated Vicky's nervous system, but he found no virus in her spinal fluid. Next he did a brain biopsy. Three days after the biopsy, Vicky, who once "was more than normal," her grandmother says, and "full of life," slipped into a coma. The biopsy of her brain revealed spongiform encephalopathy. Mrs. Rimmer didn't understand the term and asked the doctor to write it down. He was afraid to do so, she remembers, and told her to look it up in a medical book. Eventually she convinced him. She showed the note to another doctor. He told her "spongiform encephalopathy" was mad cow disease.

A physician investigator from the British

National CJD Surveillance Unit in Edinburgh visited Beryl Rimmer and examined Vicky. Mrs. Rimmer says he warned her to keep quiet about her granddaughter's condition. "Think about the economy," she says he told her, "think about the Common Market."

In March 1994, a 16-year-old schoolgirl, a Muslim born in England of Turkish-Cypriot parents, developed numbness in her face and fingertips and a backache following a fall. By August her speech had become slurred and her balance impaired. By September her memory was failing and she stumbled when she walked. She had never been treated with human growth hormone, never had tissue grafting or neurosurgery, procedures that have sometimes transmitted CJD. She normally ate lamb but sometimes ate corned beef and hamburgers. Her condition progressively worsened and she was hospitalized.

Also in 1994, an 18-year-old schoolboy was referred to a psychiatrist for depression. He told the psychiatrist that his memory had been failing for the past six months and that he had "gone nutty." A report of the progress of his illness appeared in the British medical journal Lancet the following year:

He subsequently developed visual hallucinations, delusions of reference, and an excessive fear of water and sharp objects, refusing to wash or shave. His parents noted that he had difficulty carrying out simple tasks such as unlocking a door or eating a boiled egg. He was admitted to a psychiatric hospital . . . His hallucinations continued . . . His gait deteriorated . . . For a period of eight years [earlier in his life] he [had] visited his aunt's farm annually and would have drunk unpasteurized milk and been exposed to cows. No cases of BSE have been reported in this herd.

The young man and the Muslim girl died in 1995.

There were only four prior cases of adolescent deaths from CJD reported in the medical literature up to 1995. At the beginning of 1996—besides Vicky Rimmer, the young man and the Muslim girl—seven other adolescents and young adults had already died or were gravely ill.

James Ironside is a pathologist with the government CJD Surveillance Unit. In September 1995, studying a brain section from the 18-year-old boy who had recently died of Creutzfeldt-Jakob disease, Ironside found amyloid plaques so large that they looked under the microscope like chrysanthemum blooms. They were spread throughout the brain. Unlike the smaller plaques of ordinary CJD, these florid plaques were surrounded by a zone of spongiform change—a destructive halo of holes.

Ironside had never seen this unusual pattern of damage before, but he knew that sporadic CJD pathology varied widely from

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case to case. He was startled, then, when another teenage case turned up almost immediately with identical pathology. He alerted the director of the Surveillance Unit, Robert Will. Will mobilized the unit's staff. Staff members quickly turned up six more suspect cases in relatively young people. At first Will and Ironside thought the youthfulness of the victims might be the reason for the similarities in their pathology. When the physicians checked the medical literature, however, they learned that the few rare cases of CJD in people under 30 in Britain and Europe showed no such florid plaques widespread in the brain. Late in 1995, Surveillance Unit staff began traveling the country interviewing the victims' families to rule out medical accidents or genetic predisposition.

By the end of February 1996, Will and Ironside knew they had an epidemiological cluster: eight cases of CJD in young adults that all showed a new neuropathological profile of florid plaques, early loss of coordination and late dementia. Will arranged to report the ominous new findings to the Spongiform Encephalopathy Advisory Committee, a group of scientists and physicians appointed to advise the British government on BSE. A SEAC meeting was set for March 8. Ironside opened the meeting with slides illustrating the unusual pathology. The SEAC chairman, John Pattison, remembers the moment vividly: "Before he said anything, we could see what it was. It was dramatically different." Another SEAC member, Jeffrey Almond, recalls near-panic. "The atmosphere became genuinely quite tense. Some of us were genuinely afraid of what we were hearing. We were afraid that this really maybe indicated a transmission [of BSE] to humans."

Pattison scheduled another meeting of SEAC on March 16. By then, Will and Ironside had a ninth case. The committee considered a full range of actions, from leaving the present bans in place to destroying the entire British cattle herd, some 10 million animals.

SEAC reconvened with senior government officials on March 19 at the Department of Health offices in Whitehall. Will and Ironside now had a 10th case to report. All 10 showed the same unusual pathology. The debate went on until midnight. SEAC finalized its recommendations the next morning. They included destroying all British cattle over 30 months of age.

The language of medical reports is impersonal. The 10 new CJD "cases" were human beings, and those who loved them grieved their loss. One was Vicky Rimmer, then 18 and still barely clinging to life.

Another was the student who reported having "gone nutty." His name was Stephen Churchill. "About four months before he died," his mother told interviewers, "he started to stagger and it brought back memories of seeing the cows on the news. I mentioned it to my husband, could it be this disease that has to do with mad cows? He said, 'No, it can't be, it's too ridiculous.' So I dismissed it."

Another was a 38-year-old housewife, Jean Wake, who had once worked as a meat chopper in a pie factory. After she died, in 1995, her mother had written Prime Minister John Major, asking if her death could be related to mad cow disease. Major had replied, "I should make it clear that humans do not get 'mad cow disease.'"

Another was a 29-year-old mother of two, Michelle Bowen, who had worked in a butcher's shop. Comatose three weeks before she died, she gave birth to her second child, a son, named Anthony after his father. "She didn't know what day it was," her husband said bitterly of her delivery, "let alone know that she'd given birth."

Another was Maurice Callaghan, 30, of Belfast. Someone at the cemetery where he was to be buried panicked and issued the gravediggers protective clothing and rubber gloves.

The Muslim girl was not included among the 10, and four of the cases have not been identified beyond their ages and sex: three women, two aged 28, one aged 29; one man, aged 31, like Vicky Rimmer not then deceased.

The last case to be included was Peter Hall, a 20-year-old student, who was fond of hamburgers as a young teenager but who had become a vegetarian. He died in February 1996. "It was the cruelest thing to witness," his mother would say of his illness, "like babyhood developing in reverse."

Robert Will would tell a London newspaper of these 10 cases that "their brain tissue displayed a distinctive disease pattern closer to the damage inflicted on a cow's brain by BSE than the damage normal CJD inflicts on humans."

At the SEAC session on March 19, senior members of the British cabinet tried to suppress any announcement of the new-variant form of CJD (vCJD), arguing that the scientists might be wrong.

The secretary of health, Stephen Dorrell, insisted that the public had to be told. Wednesday, March 20, speaking in the House of Commons, Dorrell informed a stunned nation that BSE had probably spread to humans from eating beef.

His announcement produced world-war-scale headlines throughout Britain and Europe. More British schools banned beef from their cafeterias. Beef sales plummeted until supermarket chains cut prices by 50 percent, after which three out of four customers began buying beef again. ("I love the taste," a dignified London matron told a television news crew. "I just buy the more expensive cuts.") The European Union blocked imports from Britain not only of meat but also of many beef byproducts, including, at least temporarily, such gelatin- and tallow-bonded goods as candies, cookies, lipstick and cough medicine. Many EU decisions require unanimous votes, and John Major's Conservative government retaliated against the beef ban by refusing British agreement across the board. The stalemate persisted for weeks.

I flew to London at the beginning of April 1996, within days of Dorrell's announcement, and was startled to see the words "Creutzfeldt-Jakob disease" in announcement cards in the windows of McDonald's explaining why the fast-food chain was no longer serving British beef. McDonald's decision to switch to Dutch beef at its 660 outlets would cost the British cattle industry $37.5 million a year, but it was not clear how much longer European beef might be counted safe. Following Dorrell's announcement, the French public health service revealed that a 27-year-old Frenchman from Lyons had died in January with le-

RICHARD LACEY THINKS HIS BRITISH COUNTRYMEN SHOULD SLAUGHTER THEIR ENTIRE CATTLE HERD, ALL 10 MILLION ANIMALS, AND GIVE UP EATING BEEF. IF THEY DID THAT, THEY'D PROBABLY HAVE TO SLAUGHTER THEIR SHEEP AS WELL, SINCE SHEEP ARE SUSPECTED OF ALSO HAVING BEEN INFECTED WITH BSE.

sions identical to those of the 10 British vCJD cases. Until the EU ban, France had imported 88,000 tons of British beef annually as well as livestock. British meat-and-bone meal had flowed liberally to Europe until 1988, and there was evidence that British suppliers had illegally dumped hundreds of thousands of tons of contaminated product after that.

The London Sunday Telegraph discovered that more than 100,000 veal calves exported to France from Britain in 1995 never went to slaughter. Instead, the newspaper reported, "they were illegally absorbed into herds in France, Italy, Spain and Holland, reared to maturity and are now being sold for beef." So much for Dutch beef. MAFF responded by pointing out acidly that companies like McDonald's that were importing foreign beef might be getting British goods after all.

These legal and illegal exports of animals and meat-and-bone meal made European BSE statistics suspect. All the other EU states together had reported only about 400 cases of BSE since the British outbreak; statisticians argued, based on the British experience, that the number ought to be above 2,000. Many European countries slaughtered an entire herd with little or no compensation when a single BSE case appeared, discouraging farmers from reporting. Accepting the inevitable, the Federation of Veterinarians in Europe acknowledged in June that BSE had become not just a British but a European problem. Processing protocols in European rendering plants, a British study found, were no more likely than British methods to inactivate the BSE agent.

French and British researchers reported in June that they had successfully infected rhesus monkeys with BSE and that the resulting lesions looked like vCJD, with florid kuru plaques haloed with holes. "It's the first experimental argument—and a very strong one—in favor of a link" between the two diseases, the French researchers told the media.

Some prominent voices, however, continued to predict that the worst was probably over. A group of scientists from Oxford, MAFF's Central Veterinary Laboratory and the University of Colorado reviewed the BSE epidemic and concluded that BSE infection of cattle was "well past its peak, and seems to be in a phase of rapid decline . . . with all new cases of infection arising from maternal transmission. However, the numbers are small and this route of infection by itself cannot sustain the epidemic." The scientists predicted that "the epidemic is likely to fade close to extinction by the year 2001 [even] in the absence of culling."

The British government slaughtered 257,000 cattle over 30 months of age after the announcement in March 1996 of a link between BSE and vCJD in humans; a sec-

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ondary program to cull the most afflicted herds of some 127,000 younger animals was also put in place. Licensed disposal plants were unable to keep up; farmers were forced to waste valuable feed to maintain animals that would only be destroyed, and Britain was running out of cold-storage space for the backup of unprocessed remains. Nor did the slaughter have any official scientific basis; it had been proposed to and accepted by the European Union on public relations grounds, to "restore public confidence in beef."

After an emergency cabinet meeting in late September 1996, citing "the new scientific evidence" forecasting a declining BSE epidemic for support, John Major announced that Britain would halt its slaughter of older cattle and would not begin culling younger animals pending further evaluation. Douglas Hogg, the new agriculture minister, faced down the farm ministers of the EU bluntly; the recent predictive study, he told them, showed that "BSE will in any event die out in 2000 or 2001" and that no slaughter or cull "would make a substantial difference to the rate of decline."

In the meantime, the beleaguered British government, stung by the popular and EU response to its March revelations, had locked up its data. Several researchers told me they had been warned of prosecution under the Official Secrets Act if they revealed information publicly. The predictive study that Major had cited to justify halting the slaughter program had used previously confidential MAFF statistics to arrive at its optimistic results.

Just as MAFF had restricted access to its animal studies and statistics, so did Robert Will of the CJD Surveillance Unit restrict information on his ongoing investigation of new suspect cases of vCJD. Another British case was diagnosed retroactively after Dorrell's March announcement, bringing the total to 11. But when French scientists reported two additional, highly suspect French cases in spring 1996, Will refused to reciprocate with information on further British cases he might be investigating. Will's position was that he did not want to exacerbate the public panic until his results were conclusive. In any event, someone leaked the information: The London Sunday Times reported in June that beyond the 11 previously confirmed in Britain and the one in France, the CJD Surveillance Unit was following five more suspect cases in the summer of 1996.

Worse, a minimum incubation period of 10 years, a reasonable estimate, would put the origin of all the cases back at the beginning of the BSE epidemic, when the number of infected animals entering the human food supply was small—implying that many more deaths might follow from the increasing human exposure to infected beef in the later 1980s. In October 1996, vCJD was diagnosed in a 33-year-old British woman, bringing the number of confirmed cases to 13. A 14th victim, this one in France, was added to the list a few days later.

In 1989, to prevent the spread of BSE to the United States, the U.S. Department of Agriculture prohibited the importation of British cattle and zoo ruminants. The USDA found 499 animals on hand at that time that had been imported from Britain before the ban. Those were quarantined. Two American rendering associations asked their members in December 1989 to voluntarily discontinue processing sick U.S. sheep. In 1990, the USDA began active surveillance for BSE, examining the brains of several hundred downer cattle each year for signs of spongiform encephalopathy. In 1992, the Food and Drug Administration surveyed rendering practices and found, an FDA veterinarian later wrote, that "the rendering industry voluntary ban did not appear to be fully implemented since six of the 11 renderers processing adult sheep with heads are selling rendered protein byproducts to cattle feed producers." The FDA's concern with sheep processing reflected an assumption that BSE derived from scrapie—the unsupported assumption that also misdirected British efforts. In 1993, the FDA sent letters to drug, dietary-supplement, animal-product and other manufacturers urging them to use cattle materials only from non-BSE countries in their products. In 1994, still pursuing scrapie, the USDA proposed banning sheep offal from animal feed, but U.S. agribusiness contested the ban on the grounds that such processing would be too expensive and it was not imposed.

With Stephen Dorrell's announcement in March 1996 of a possible link between BSE and vCJD, the USDA ordered the 116 imported British animals still alive in the United States destroyed. The FDA announced in May that it would prepare regulations designed to prevent BSE in U.S. cattle. Livestock industry and veterinary groups agreed to institute a voluntary ban on feeding ruminant protein to ruminants, but no inspection system verifies compliance. The Centers for Disease Control and Prevention began a pilot surveillance for vCJD in five states. The USDA decided to examine more downer-cattle brains; by late 1996 the total number of brains examined since the program began in 1990 had reached 3,200. None showed a BSE pattern of lesions, but they represented only a marginal sample of the approximately 100,000 downer cattle processed annually in the United States. A meeting of 70 U.S. animal and public health experts, sponsored by the USDA in the wake of the Dorrell announcement, nevertheless declared itself satisfied that existing safeguards were adequate. The group expressed satisfaction on two grounds: because BSE had never been identified in the United States and because the annual incidence of CJD had held steady at about one case per million population since 1979, with deaths among people under 30 years of age extremely rare.

DISPOSAL OF BANNED WASTES COULD BE A PREDICAMENT AS DIFFICULT FOR THE U.S. AS IT HAS BEEN FOR BRITAIN. THE HEAD OF A U.S. RENDERING FIRM CHARACTERIZES THE PROBLEM GRIMLY: 'YOU'RE TALKING ABOUT INCINERATING OR LANDFILLING MILLIONS AND MILLIONS OF TONS OF PERISHABLE ANIMAL TISSUE A YEAR.'

The United States is probably not currently at risk from the British strain of BSE. That's the good news. But livestock feeding practices put the U.S. population at risk from animal strains of spongiform disease, which could spread quickly through the livestock population in contaminated feed and infect humans just as British BSE has done.

Are U.S. cattle a natural reservoir for an American strain of BSE? A better question might be: If Creutzfeldt-Jakob disease occurs sporadically in one in a million humans throughout the world, shouldn't there be correspondingly rare, sporadic spongiform diseases in other animals as well?

One intriguing hint is a recent estimate based on the history of four transmissible mink encephalopathy outbreaks in Wiscon-

sin since 1947. If every Wisconsin outbreak of TME was caused by feeding downer cattle to mink—a common practice—then the prevalence of spongiform encephalopathy in those cattle was 1:27,500, which extrapolates to one case annually per 975,000 adult cattle in Wisconsin—a ratio strikingly like the ratio of 1:1,000,000 for sporadic CJD.

A French veterinarian described what he called "a case of scrapie in an ox" as early as 1883. The first U.S. outbreak of mink encephalopathy preceded the arrival of scrapie in the United States, another indication that sheep were probably not the source. In 1980, Colorado State University pathologists reported a "spontaneously occurring form of spongiform encephalopathy" that killed 53 captive mule deer and one black-tailed deer between 1967 and 1979. Researchers found they could transmit the disease experimentally to healthy mule deer. A similar disease turned up in captive elk pastured next to the mule deer, suggesting horizontal transmission. Since 1992, this "chronic wasting disease" has been identified in Wyoming deer and South Dakota elk. "The Department of Agriculture hates to hear me say this," C.J. Gibbs Jr. of NIH told me, "but spongiform encephalopathy in mule deer and elk isn't surprising to me. I've seen a letter from an 18th-century veterinarian to a physician describing a scrapie-like disease in deer in an English deer park. So my concept is that these diseases occur spontaneously in nature. It's a rare occurrence. It would normally be overlooked." Richard Marsh, then at the University of Wisconsin, came to the same conclusion about BSE in cattle in 1988: "Because this new bovine disease in England is characterized by behavioral changes, hyperexcitability and aggressiveness, it is very likely it would be confused with rabies in the United States and not be diagnosed." By 1996, Marsh had concluded, "If spontaneous cases of [these] diseases can occur in humans, they likely also occur in animals. Normally not naturally transmitted, these spontaneous incidents can still pose a danger by the unnatural act of cannibalism [such as] the feeding of animal protein to ruminants."

The conditions exist in the United States for an epidemic of a native strain of BSE. There are about 100 million cattle in the United States, compared with fewer than 10 million in Britain. The United States produces about 3.6 million tons of meat-and-bone meal annually (incorporating not only slaughterhouse wastes but also the annual toll of 100,000 downer cattle), almost 10 times as much as Britain produces. At the beginning of this year, the U.S. livestock industry was feeding about 13 percent of this tonnage to cattle, about the same as the British do. Meat-and-bone meal had previously been fed to adult cattle more than to calves—to beef cattle to fatten them for market and to dairy cows to support milk production—but that practice is changing in the United States. Beef cattle are typically slaughtered at 2 years of age or younger, when they might be incubating spongiform disease but would be unlikely to show symptoms. Feeding animal protein supplements to calves increases their exposure over time to any disease agents that might be lurking in their feed.

Richard Lacey thinks his British countrymen should slaughter their entire cattle herd, all 10 million animals, and give up eating beef. If they did that, they'd probably have to slaughter their sheep as well, since sheep are suspected of also having been infected with BSE. Neither prospect is likely, unless a new plague of vCJD ensues.

How many people will become infected remains to be seen. The British government, by making the wrong public health choices, has conducted a frightening natural experiment, allowing a lethal disease agent to spread through the human food supply, exposing the entire British population. There is every reason to believe exposure is continuing.

At some lower level of risk, the population of Europe has also been exposed to BSE. The lack of vCJD deaths outside France doesn't mean that the rest of the continent is free of human infection; the French deaths may indicate merely that exposure began there earlier. Nor do the limited number of vCJD deaths identified so far offer any basis for assessing the future extent of vCJD infection. That depends on the virulence of the disease agent. The ease with which BSE crosses species barriers and the fact that it is easily transmissible orally in small doses suggest that it may be an exceptionally virulent strain.

Occurrences of most epidemic diseases continue to decline from decade to decade in the advanced industrial nations. In the United States, for example, with the exception of AIDS, most diseases that physicians are required to report to the Centers for Disease Control and Prevention—equine encephalitis, brucellosis, diphtheria, gonorrhea, hepatitis B, measles, mumps, polio, rubella and syphilis, among others—have declined in the past four decades or disappeared. The mortality rate in New York City at the beginning of the 20th century was comparable to mortality rates today in the Third World, but few people in the United States or in Europe any longer have personal knowledge of the ancient killer diseases of humankind—bubonic plague, smallpox, cholera, malaria. Good nutrition, improved sanitation and hygiene and new vaccines limit the risk of these infections.

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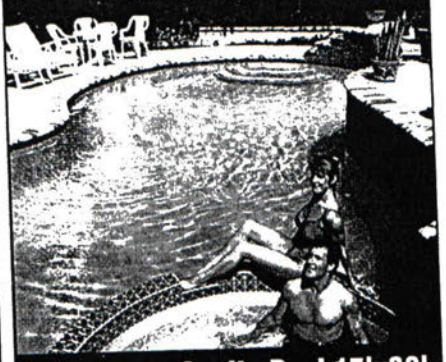

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Coming up

SUNDAY, MARCH 23

Land Ho

Settling in on her newly bought farm, Jeanne Marie Laskas spends the winter bartering with a bulldozer owner, discovering a little something about hunters, and learning to live without quite so many high-tech appliances.

Coming up

SUNDAY, MARCH 30

Power Source

On the eve of Opening Day, Thomas Boswell looks at the Baltimore Orioles' Brady Anderson, who last season hit an extraordinary 50 home runs as a leadoff batter.

The Washington Post Magazine

But the British BSE disaster was not some throwback to antique conditions or mere bad luck. It followed in part from a pernicious anti-regulatory ideology that has taken hold in Britain and the United States in the last two decades. There's nothing inherently wrong with industrializing agriculture—with raising chickens, pigs and other food animals under controlled conditions—if such conditions are carefully arranged to limit disease and protect the public health. Human beings, after all, have chosen to live under controlled conditions. We thrive with a roof over our heads and a healthy food supply; so do farm animals raised in confinement, which contract fewer diseases and survive to maturity in greater numbers than their "free range" counterparts. But eggs and chicken meat contaminated with salmonella, hamburger and fresh cider poisoned with deadly *E. coli* and beef infected with BSE all evidence a failure of government inspection, supervision and policy.

Until 1995, U.S. meat inspection had hardly changed since the reforms that followed Upton Sinclair's 1906 fictional exposé *The Jungle*. Even with the passage in 1995 of a modernized meat-inspection system that for the first time included laboratory testing, the Republican Congress under Newt Gingrich and Bob Dole refused to exempt the measure from the so-called regulatory relief provisions of its Contract With America, delaying and limiting its effect. The Congress was arguably more interested in meat-industry profit margins than in consumer protection.

The British disaster makes it evident that the high-tech cannibalism of recycling animal protein risks spreading lethal disease. The practice continues in the United States for the same reason that it continues in Britain even as the death count rises: because the meat industry and its allies in government assess the risk differently from the scientists and physicians who know most about the transmissible spongiform encephalopathies.

The United States still has a chance to avoid a BSE epidemic. The FDA took an encouraging step in that direction at the beginning of this year when its outgoing director, David Kessler, announced that the agency proposed to ban the feeding of ruminant protein to ruminants. The announcement opened a 45-day period of public comment, after which permanent rules will be issued. The U.S. rendering industry immediately complained that the agency was overreacting. Veterinarian Don Franco, a spokesman for the National Renderers Association, told the Wall Street Journal, "The science just isn't clear enough. There are lots of theories, but there hasn't been any specific proof on how the disease is transmitted."

The Journal reported an industry estimate that a ruminant-protein ban would cost $1.6 billion in lost sales and for alternative disposal. Disposal of banned wastes could be a predicament as difficult for the United States as it has been for the British. Dennis Longmire, head of the large U.S. rendering firm of Darling International, characterizes the problem grimly: "You're talking about incinerating or landfilling millions and millions of tons of perishable animal tissue a year." The National Cattlemen's Beef Association, on the other hand, welcomed the move, saying that beef and dairy producers had already reduced feeding meat-and-bone meal to cattle.

But there are disturbing compromises built into the FDA's proposed ban. It would prohibit the use of tissue from cattle, sheep and goats in feed for those ruminants but would permit the continued feeding of ruminant blood, milk and gelatin. Ruminant tissue would continue to be processed into feed for chickens, pigs and pets despite the known susceptibility of pigs and cats to spongiform encephalopathy and the possible passage of the disease agent through chickens into their manure, which organic farmers use to fertilize vegetables. Nor do the ubiquitous contamination of U.S. poultry and eggs with salmonella and the continuing outbreaks of human *E. coli* infection from contaminated meat inspire confidence in government inspection. From the rendering industry's perspective, the ban turns a valuable asset into an expensive liability. That reversal in Britain led to widespread cheating. Without rigorous enforcement, U.S. consumers have reason to fear the same result.

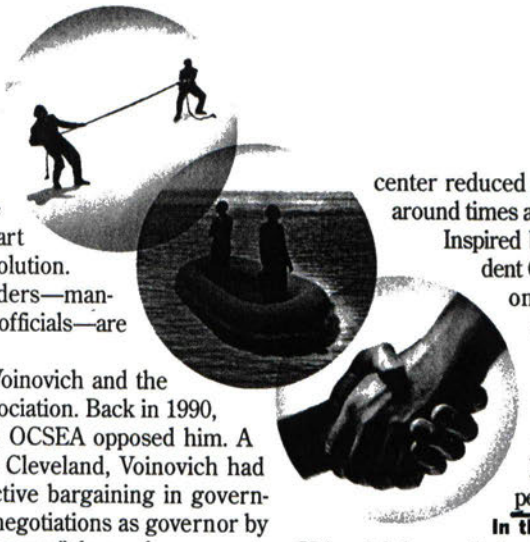
The United States has ample supplies of soybean protein, so its livestock industry could survive even a complete ban on feeding animal wastes to animals. Such a complete ban is the only certain way to prevent the passage of fatal spongiform encephalopathy among species—including, pointedly, human beings. The industry's profit margin would narrow, since meat-and-bone meal is cheaper than soybean meal. But such an embargo is not even under discussion in Britain, much less in the United States. And as the rendering industry itself points out, it would mean disposing of millions of tons of animal wastes left over from meat processing—a nearly intractable problem. Alternatively, we could follow Richard Lacey's advice and give up eating beef. ■

This article was excerpted from Deadly Feasts, *to be published this month by Simon & Schuster. Richard Rhodes is the author of 15 books of fiction and nonfiction, including* The Making of the Atomic Bomb, *which received the 1988 Pulitzer Prize for general nonfiction.*

The Union Solution

By David Osborne and Peter Plastrik

THE PRESIDENT HAS SEEN
3-10-97



MOST PEOPLE WHO WANT to improve government's performance in this country think unions are part of the problem, not part of the solution. But an increasing number of leaders—managers, elected officials *and* union officials—are showing there is another way.

Consider Ohio's Gov. George Voinovich and the Ohio Civil Service Employees Association. Back in 1990, when Voinovich ran for governor, OCSEA opposed him. A Republican and former mayor of Cleveland, Voinovich had fought a state law to allow collective bargaining in government. He began his first contract negotiations as governor by handing OCSEA a long list of "take away" demands.

Union director Paul Goldberg went toe to toe with the administration over the new contract. But in the six years since, Voinovich and Goldberg have put together a labor-management partnership that has unleashed tens of thousands of state employees. Using "total quality management" methods pioneered by business, they are creating a tidal wave of small but significant changes.

Nearly 50,000 workers have attended three-day training sessions to learn quality improvement methods. And more than 1,000 teams of employees have undertaken specific improvements—many with nice payoffs:

- A "Bureaucracy Busters" team in the workers' compensation office cut telephone busy signals from 50,000 a month to zero and the average "on hold" wait from 10 minutes to a minute and a half.
- A team in the transportation department saved $200,000 by reducing the amount of time snow plow trucks had to travel to get salt to spread on icy roads.
- A mental health team saved $1.5 million in the treatment of schizophrenia patients, while improving the treatment's success rate.
- Another team streamlined the process for preparing and approving travel expense reports—saving $510,000 annually.

A National Trend: Ohio is one of the best examples of labor-management partnership in government, but it is hardly the only one. While union ranks in the private sector have thinned for years, union membership has grown to 38 percent of the local, state and federal government work force. More and more public managers realize they can't improve performance without union cooperation.

Last year a task force commissioned by the U.S. Department of Labor documented 50 different examples of workplace partnerships in state and local government—from Phoenix and Seattle to Indianapolis and Portland, Maine.

The shift to cooperation is even more pronounced in the federal government. A labor-management partnership begun in the mid-1980s at the Ogden, Utah, Internal Revenue Service center reduced payment error rates, shortened turnaround times and saved $11 million over five years.

Inspired by this and other examples, Vice President Gore's National Performance Review recommended in 1993 that every federal agency establish a labor-management partnership council—and President Clinton issued an executive order requiring it. One result, according to Federal Labor Relations Authority Chair Phyllis Segal, was a two-year drop of 28 percent in unfair labor practice filings.

In the Same Boat: In Ohio, Goldberg and Voinovich began their odd-couple partnership because they realized they needed each other. They were in the same boat, and it was sinking.

Goldberg, who wanted to protect his members' jobs, was worried that Voinovich would contract work out to private companies. So he pushed for a chance to prove his people could do better.

Meanwhile, Voinovich was looking for answers to the state's fiscal squeeze. He wanted to increase efficiency and improve services without raising taxes. So he borrowed a quality management initiative that Xerox had used to help turn itself around.

To kick things off, Voinovich invited Goldberg and leaders of the four other state employee unions to collaborate with his management team. The labor leaders told the governor they would work with him, but only if they had a real say in every step of the process. Voinovich agreed. But when quality management training for top managers began, most union officials were left out. This fueled their suspicion that Voinovich's managers didn't really want to give up control.

The governor raised his hand and said, 'I think we've been going about this all wrong.'

The managers didn't "understand what we meant by partnership," says Goldberg. "They thought, 'We'll let the union know what we're going to do, so they can get their members lined up.'"

At a special training session at Xerox's Rochester, N.Y., facility, Goldberg complained about the way the unions were being treated. "Most of the cabinet folks started snickering," he says. "You know, there goes Goldberg again." But Xerox officials emphasized how valuable their union had been in implementing change. That caught Voinovich's attention.

"The governor raised his hand," says Goldberg. And when he was called on, he said, "I think we've been going about this all wrong." Soon after, Voinovich created a steering committee with five union leaders and five agency directors. Nothing could happen unless both sides agreed.

This helped convince Goldberg that the governor understood what it took to be a partner. "He gets it," the union leader says.

Still, there was one more hurdle. The unions feared that

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once employees boosted their organizations' efficiency, they would be laid off. "Our people had to be assured that this was not just a device to use their intellects and then discard them like old typewriters," says Goldberg. Voinovich promised that improvements would not lead to work force reductions—and he wrote the pledge into the OCSEA contract.

Bumps in the Road: Even after it began to rack up success stories, the partnership had its rough spots. When Voinovich ran for reelection in 1994, the union opposed him again. But the governor won easily and the partnership survived.

Then one director announced a plan to downsize his department, outsourcing or eliminating some functions. Goldberg fumed that the plan violated the no-layoff agreement; he was tempted to tell Voinovich to "take your partnership and shove it." The director insisted his plan was not part of the partnership initiative and so was not subject to the guarantee.

Goldberg relented. The union helped managers design the downsizing plan, and in the end, there were fewer layoffs than the union had feared.

During contract negotiations this January, both sides went back to their traditional adversarial behavior. This is inevitable for unions, Goldberg says, because they need some clout when the pie is being cut up. "It isn't all done with fairness and equity. You don't give up all your weapons."

Bargaining time is the "crazy season," says Steve Wall, the governor's point man on the quality program. "But as soon as the contract is negotiated, we'll be back to business as usual."

As the partnership survives these bumps, the bonds of collaboration grow stronger. Every year, for instance, the governor and his cabinet join union leaders for a retreat to assess how the partnership can be improved. The partners also go hand in hand to the legislature to lobby for funds to train workers in quality management.

Several months ago, they held a celebration for the employee improvement teams. More than 2,000 workers and managers crammed into a convention center with exhibits prepared by 130 teams.

"Employees working together to improve customer service is no longer the exception to the rule in Ohio state government," Voinovich announced. "It is the way we do business." ■

David Osborne and Peter Plastrik are coauthors of Banishing Bureaucracy: The Five Strategies for Reinventing Government. *Osborne is a managing partner of the Public Strategies Group, a consulting firm. Plastrik is a partner with On Purpose Associates, a nonprofit consulting group.*

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For Their Targets, Mystery Groups

By Charles R. Babcock
and Ruth Marcus
Washington Post Staff Writers

Campaign watchdog groups and government regulators are concerned about the emergence of mysterious organizations that funded a flurry of attack ads at the end the 1996 election and could play an even larger role in coming campaigns.

The groups, with bland names such as Citizens for Reform and the Republic Education Fund, spent millions of dollars on television advertising, mailings and telephone banks in the closing weeks of the campaign, mostly on the side of the Republicans. None of their activities was reported to the Federal Election Commission (FEC).

"The public has no idea who these people are or where they're coming from or who funds them," said Charles Lewis, executive director of the Center for Public Integrity, which monitors political ethics. "They are trying to influence the political process and the public is in the dark."

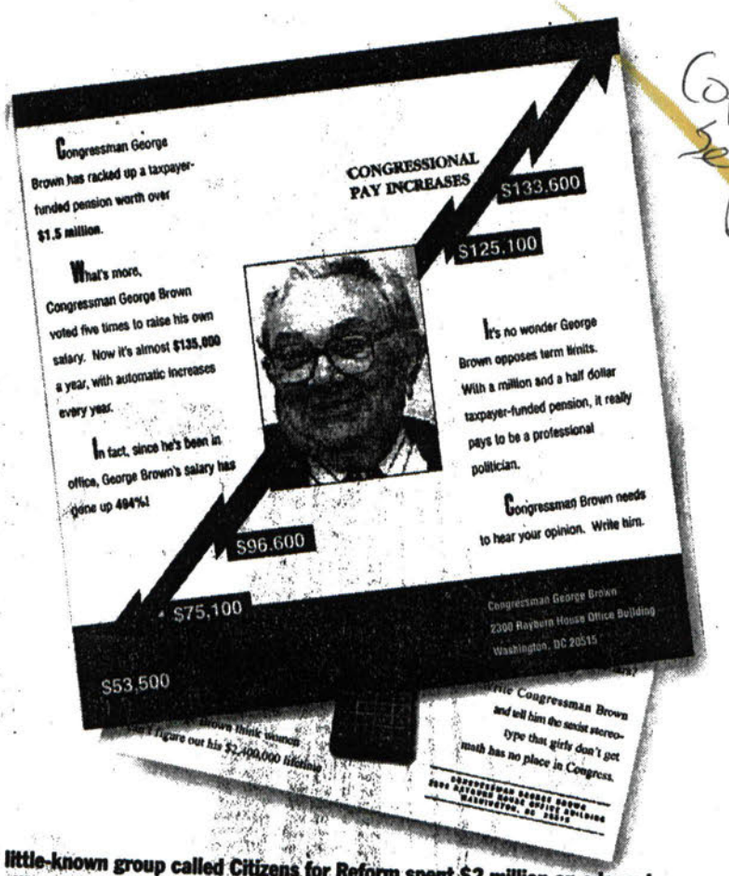
For example, a group called the Coalition for Our Children's Future spent more than $700,000 on television and radio ads, mailings, and telephone banks to bolster GOP candidates in key races from Louisiana to California.

The last-minute onslaught, financed in part by a donor who demanded a written confidentiality agreement, was conducted without the knowledge or approval of the group's directors. Two of the directors resigned in protest after The Washington Post informed them of the late ads, saying they never approved the expenditures. They said they still do not know exactly what was done or the source of funding.

Former director Deborah Steelman, a GOP lobbyist, said she thought the group had been inactive since spending more than $4 million on advertising backing the GOP's legislative agenda in 1995. "Clearly, the organization created another mission of which we were not a part," she said.

Like the more identifiable AFL-CIO and environmental groups that also ran advertising, leaders of organizations such as the coalition say their television commercials were not political because they did not explicitly endorse a candidate. Since they were engaging in "issue advocacy," they said, they were not required to report to the FEC the source of their funds or how much they spent.

One group created last spring and calling itself Citizens for Reform spent $2 million in the closing days, according to its president, conservative activist Peter Flaherty. In California, it sent mailings into the district of Democratic Rep. George Brown accusing him of being sexist and anti-consumer. The Consumer Federation of America, cited as the source in one flier although it endorsed Brown, denounced the mailing as "extremely misleading and grossly unfair." In Montana, the group bought television time calling Democratic congressional candidate Bill Yellowtail a convicted criminal who "preaches family values . . . but took a swing at his wife."



A little-known group called Citizens for Reform spent $2 million on ads and mailings such as these attacking Rep. George Brown (D-Calif.).

Another new group called Citizens for the Republic Education Fund obtained at least $1 million in late ads, according to director Lyn Nofziger, longtime political aide to Ronald Reagan. In Texas, it bought television ads against Democratic congressional candidate Nick Lampson that said he had been accused of Medicare fraud. In Erie, Pa., another television ad denounced "big labor bosses" for trying to buy "a Congress they can control."

Some ads were so inflammatory that the Republican candidates they were designed to help denounced them. And some stations would not run some ads or pulled them off the air after complaints by Democratic candidates. Leaders of the groups targeting Democrats say they operated independently and they and GOP officials said the groups were not fronts for the party.

Nofziger called it "outrageous" that advocacy groups like his are allowed to "go and run political ads and call them educational." He added, "We wouldn't have had to do it if it had not been for labor" and its attacks on GOP candidates.

The Flaherty and Nofziger groups were run by a Washington-based firm, Triad Management, that advertises itself as sort of an underground version of the Republican Party. A Triad marketing video includes testimonials from Sen. Don Nickles (R-Okla.) and several House members aimed at recruiting donors for what the video labels a "privatized Republican national coalition."

Triad's Carolyn Malenick, a former fund-raiser for Oliver L. North, says on the video that labor has always been the "rapid fire" of the Democratic Party. "If the Republican Party needs that quote 'rapid fire' where're we going to find it?" she said. "If we need to move or have $100,000 put into a congressional race tomorrow where're we going to find it?" Malenick declined to be interviewed.

Mark Braden, Triad's attorney, said the group was not a front for the GOP or a particular special interest, like the tobacco industry. Malenick's donors are mostly individuals from "ideologically driven networks," he said.

While most of the late negative issue ads with mysterious sponsors targeted Democratic races, a labor-fund-

Copy sent to Bowles

' Ads Hit Like Attacks From Nowhere

ed group, the '96 Project, paid for voter guides mailed in the name of other groups in 14 races. The project paid $50,000 for mailings in six House districts where the fliers said they were "sponsored" by local or state affiliates of the National Council of Senior Citizens, a group made up predominantly of retired union members. There was no mention of the '96 Project in the mailings.

Scott Wolf, director of the project, said there was no intent to deceive the public on who was behind the mailings, which made GOP candidates look unfavorable on key issues.

His group also paid for mailings in eight races "sponsored" by the Interfaith Alliance, a group of ministers formed as an alternative to the Christian Coalition, according to the alliance's Greg Lebel. Lebel said "it never occurred to us" voters might be misled because the eight mailings said only that the '96 Project "prepared" the voter guides.

Most of the late money from obscure groups was spent on television. And Federal Communications Commission officials who monitor political advertising say their authority over broadcasters is limited. Charles Kelley, chief of enforcement for the FCC's mass media bureau, said the agency wants to know "who is the attempted persuader" in such ads. The question, he said, is "what legal authority we have, if any, to obligate the true sponsor to step forward."

The FCC managed to do that in a case in Oregon last fall, when it discovered that a group calling itself Fairness Matters to Oregonians was being financed by the Tobacco Institute. The FCC ruled the group's ads, which opposed an increase in the state cigarette tax, could be aired but the Tobacco Institute had to be identified as the sponsor.

Various campaign reform proposals in Congress attempt to address the late attacks by saying the name or image of candidates cannot be mentioned in ads in the last 60 days before the general election. But many lawmakers and interest groups say such proposals would put unconstitutional limits on their First Amendment rights.

Flaherty, who also heads the Conservative Campaign Fund PAC, said concerns about sponsorship are misplaced. "Most people when they see an ad don't focus on who put it on, but focus on the message," he said. "If the message has strength and credibility it will persuade people. If it doesn't, it won't."

In applying for tax-exempt status, which allowed it to avoid paying taxes on investment income, Citizens for Reform told the IRS it had no plans to spend money "attempting to influence" elections. But asked whether the group's advertising had been effective, Flaherty said, "I think we made a big difference. It was an absolute onslaught in some of these areas by labor and liberal groups and I think we helped stanch the bleeding artery."

Perhaps the most peculiar of the late ad campaigns was the one run in the name of the Coalition for our Children's Future, which spent money in six House districts, the Louisiana Senate race and 12 Minnesota legislative races, according to Executive Director Barry Bennett.

Two directors, Dirk Van Dongen, president of the National Association of Wholesaler-Distributors, and Donald L. Fierce, a GOP consultant and former Republican National Committee aide, resigned in protest; two others, Steelman and Gary Andres, had left the board earlier.

How the unauthorized advertising campaign was launched and how races were targeted remains murky. Bennett, working in Ohio at the time of the election as chief of staff to then-Rep. Frank A. Cremeans (R), at first said he did not know of any extensive late advertising. Then he acknowledged he had signed the secrecy agreement with the donor and signed blank checks to pay a Houston political consultant who ran the advertising campaign. Bennett said he did so without telling board members.

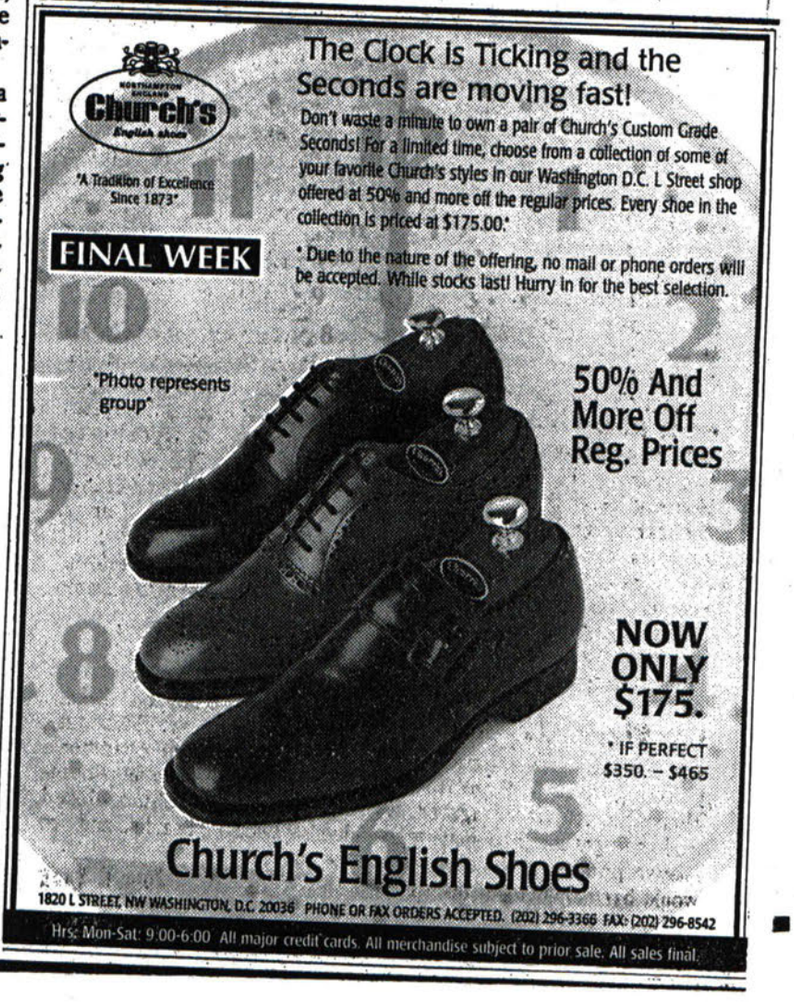
Bennett and the group's fund-raising consultant, John Simms, said the consultant, Denis Calabrese, approached them last summer and helped connect them with some donors, who they declined to identify. Calabrese, who has worked on industry's side to make it harder to win large damage awards in lawsuits, did not return numerous phone calls.

Bennett said he had tried without success, after the Post inquiries, to obtain copies of the television scripts from Simms's firm. He said he had no idea what the coalition, organized to address federal issues, was doing in Minnesota statehouse races.

"Am I embarrassed by this?" Bennett said before he stopped returning phone calls. "Yes . . . I understand we've created a huge mystery here and that's our fault."

FOR MORE INFORMATION

To examine the news and issues relating to political fund-raising in our special report on Campaign Finance, click on the above symbol on the front page of The Post's Web site at www.washingtonpost.com



THE PRESIDENT HAS SEEN

3-10-97

3/4

THE WHITE HOUSE

WASHINGTON

Sorrick / CTS / EB

called Eric Serra Sun
nominee for Bill Richardson's
seat —

He asked that I accept
invitation to address U.N. UK
legis on EO (Weg before his
May 13 session —

Work coordinating —

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE

WASHINGTON

MARCH 7, 1997

Copied Streett Morrison COS

MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREETT
MARY MORRISON

SUBJECT: WEEKEND SCHEDULING ITEMS

• FYI, Erskine's Budget Group is ready to meet with you about the budget at your convenience. They will be meeting in the COS's office Saturday from 11:30 - 12:30pm. Please let us know if this is something you would like us to set up for this weekend.

• Kathie Berlin requested that you meet with Board Members of Creative Coalition on Monday, March 10 to discuss funding cuts and the devastation it will cause to the Arts and Entertainment communities. They will be in town for Arts Advocacy Day. Melanne Verveer does not think this meeting is a priority. Next weeks' schedule is quite full and we would like to regret this request. Are you okay with this?

YES_____ NO ✓

We regret Monday

THE PRESIDENT HAS SEEN
3-10-97

LLOYD N. CUTLER
2445 M STREET, N. W.
WASHINGTON, D. C. 20037-1420

Robert
FEC-interim
advice -
as needed
Bob

copied
Emanuel
COS

March 4, 1997

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

As I mentioned to you at Molly Raiser's last Friday, I would like to volunteer to work on campaign finance reform proposals.

Attached is an interim idea that may be of use.

Sincerely,

Lloyd

Lloyd N. Cutler

Attachment

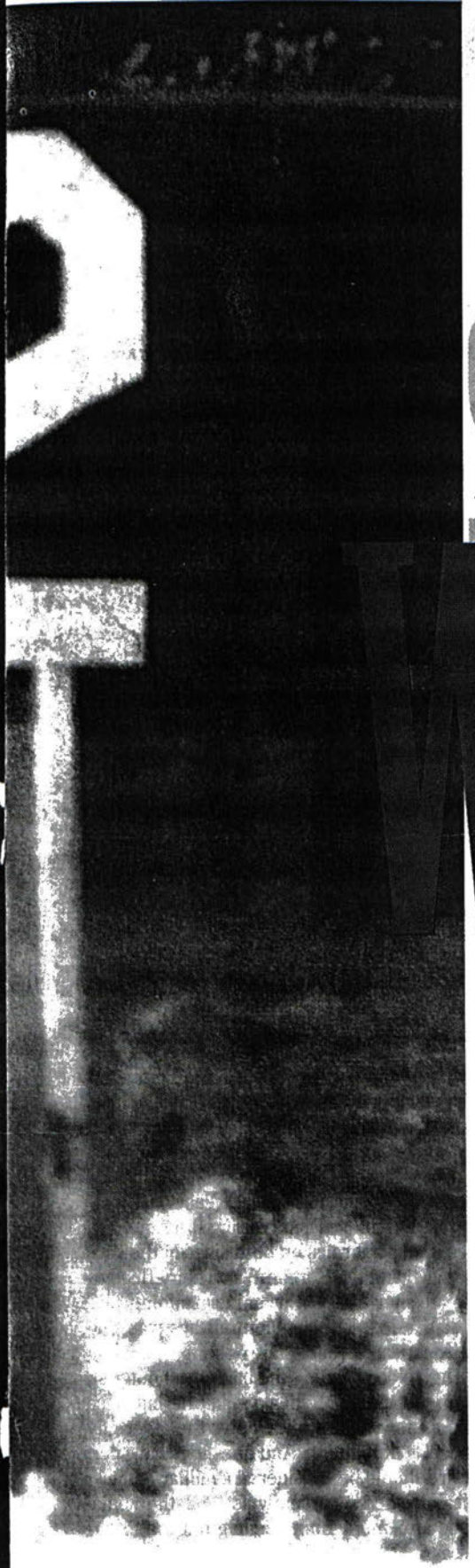
cc: Erskine Bowles

A Possible Response to Republican Foot-dragging on Soft Money Limitations

1. The Administration and the DNC should continue to support the McCain-Feingold bill, especially its caps on the amount and use of soft money.
2. Meanwhile, on behalf of the DNC, Governor Romer should offer to enter into a contract with the RNC. The contract would establish a cap on the amount of soft money each of the two parties can spend for the year 2000 federal elections, with agreed restrictions on how the money can be used.
3. The proposed cap on the amount would be [$100MM?] [$50MM?] or, if lower, the amount fixed by the laws in effect for the 2000 election campaign.
4. As a further gesture, Governor Romer could suggest that the amount of the cap be whatever other number the RNC proposes.

The RNC would find it very difficult to respond affirmatively to this proposal. Whether or not it responds affirmatively, the Administration and the DNC would deserve public credit for having taken the initiative.

THE PRESIDENT HAS SEEN
3-10-97



Stealth Warriors

In an era of smart bombs and Tomahawk missiles, the armed forces are still carefully training snipers. They've learned there's still a place for a lone soldier with a 50-cent bullet

By Jeff Stein

Last spring, the military eggheads who think up new weapons went down to the Marine sniper school at Quantico. They had a new gizmo to test, a sensor that could detect body heat from afar, a scopelike instrument they could point toward a battlefield and unmask enemy soldiers advancing through the brush.

Below in the Quantico meadow, heavily camouflaged sniper students practiced slithering through the bogs and brush. Instructors peered through binoculars looking for a quivering branch, a ripple of leaves, a glint of sunlight off a long-range rifle scope, any slight sign of a sniper advancing up the hill. The trainees' mission was to get close enough to put an instructor's head in their cross hairs and pull the trigger—firing a blank, of course.

Occasionally the new device would beep. The officials, headed by an undersecretary of defense, Walter Slocombe, were all marveling over it as "unbeat-

A Marine sniper in camouflage and armed with an M-40A1 rifle.

able." But then, off to the side, a senior Marine sergeant with a shaved head and tattoos all up and down his arms cleared his throat.

"I beg to differ," said Neil Morris, a gunnery sergeant with 17 years in the Corps, most of them as a sniper. His eyes had a faraway look, as if he could sense a Libyan terrorist lighting a cigarette 10,000 miles away.

Dr. Death. Queequeg in cammies.

The officials asked what the sergeant had on his mind. With all due respect, Morris said, he could beat that thing. He asked permission to demonstrate, and trotted off.

For the next hour or so the officials scanned the woods and brush, the device beeping each time it detected a student sniper in the meadow. Their confidence in the gizmo grew. But suddenly, a mound of dirt and weeds only 15 yards away rose up, with a rifle and an old brush-covered umbrella. From a rictus in a green and black face, Morris said simply: "You're dead."

Snipers love that story, of course—a Marine newspaper ran a front page picture of Gunny Morris and his famous $1.25 umbrella, which he bought in a flea market when he heard about the new sniper-detector. He'd simply put it in front of him to deflect its beams. In an era of million-dollar smart bombs, over-the-horizon cruise missiles, billion-dollar Stealth jets and satellites, he'd shown that a man and a 50-cent bullet still have a place on the battlefield. A place where the individual soldier can still make a difference. And a job where a man has to put his soul on hold.

Snipers have long been the junkyard dogs of U.S. military forces—treated like an ugly necessity, kept outside in the cold and rain, not fit for indoor company. Even in Vietnam, infantry unit commanders had deeply ambivalent feelings about them. Marine officers commonly banished snipers to latrine duty, according to sniping histories. Of 95 Marine sniper rifles in all of Vietnam in 1969, only 24 were serviceable and in use. Only later, after a few, soon-to-be-legendary snipers showed extraordinary effectiveness against the Viet Cong, did they gain grudging acceptance.

It was ironic, really, considering the storied place Yankee "sharpshooters" hold for picking off British redcoats during the American Revolution. Snipers played important roles on both sides in the Civil War, World War I, World War II and the Korean War. Their effectiveness was unquestioned, yet after every war, sniper training programs were effectively disbanded. The problem always was that snipers didn't fit into the American ideal of "fair fighting," standing tall like Gary Cooper in "High Noon," letting the bad guy shoot first, slugging it out in the open. Snipers were sneaky, like the Japanese depicted so satanically in war movies; they didn't give the other guy a fair chance. It wasn't Our Way of Fighting. And questions have persisted about when sniper fire should be considered a military attack, and when an act of political murder. As recently as 1992, the Pentagon felt compelled to issue a memorandum spelling out the difference between political assassination (which has been illegal since a 1976 executive order by President Ford) and combat sniping.

"Soldiers lawfully may be attacked behind their lines," it said. The suggestion that "a sniper is less than legal . . . is the unenlightened view of sniping; it is also incorrect."

PHOTOGRAPHS ON PAGE 18 COURTESY PUBLIC AFFAIRS OFFICE/QUANTICO AND (BOTTOM LEFT) CAMP LEJEUNE; THIS PAGE COURTESY U.S. MARINE CORPS

The importance and usefulness of sniping became increasingly evident in Somalia, when Marine snipers targeted the heavily armed "technicals" careening around in their jeeps and spraying United Nations forces with gunfire. Then came Bosnia, and Sarajevo's "sniper alley." Our guys shot back. Now, with more Somalias and Bosnias on the horizon—as the Pentagon is thrust into "operations other than war"—snipers look very valuable indeed, Davy Crocketts in the Age of Terrorism.

So the Marines go about their business, preparing their shooters for the next conflict. Sniping is treated as just another job—one that has to be done. And in many ways—and for most instructors and trainees—it is. But there is also something elemental, something powerful, at work. Perhaps it flows from facing the act of killing so directly. Whatever it is, whatever the reason, it can have profound effects on a man.

It's a sparkling October morning in the woods at Quantico. Dew glistens on the yellow-brown leaves. Gunnery Sgt. Jim Owens, the top NCO at the Marine sniper school, one of four schools the Marines run, is peering at a ravine of bushes and bogs. Somewhere in the underbrush, a dozen trainees are creeping and sliding through the mud, branches, tall grass and rocks. The air is clear and still, so quiet you can hear yourself breathe.

There are five main elements of the nine-week course that turns an ordinary soldier into a professional sniper. Basic to the trade, of course, is shooting. A sniper has to be able to put a bullet into the chest of a target at 1,000 yards. Or a moving target—a man on top of a tank, say, or someone sitting in the back seat of a speeding car—from a shorter distance. He'll be taught how to shoot up, to a window, or down, from a rooftop. And to compensate for glass. That means learning how to calculate speed, wind, distance and trajectory.

A sniper also has to master sophisticated communication procedures and radios, which can link him to a field headquarters, jet fighters or even AWACS planes and satellites high overhead. (Theoretically, President Clinton, sitting at his desk in the Oval Office, could directly order a crouching sniper to take out an enemy general behind the lines half a world away.)

In the beginning, trainees spend hours personalizing their own "ghillie suits," the heavy webs of brush, hay, mud, fur, string, hair and cloth that turn them into human wookies. (The word "ghillie" originated with Scottish hunting garb.) That, though, is merely preparation for sniping's main event: the stalk, the highly disciplined, undetected approach to the target. It's where snipers make their reputation. It's where students are most likely to wash out.

Today at Quantico the trainees have two hours to travel about 400 yards up a slightly rising, narrow meadow without being detected by spotters who are sweeping the area with binoculars from a truck bed at the top of the hill.

"They got to learn to love the shadows," Owens rasps, sounding like Robert Duvall in "Apocalypse Now." He lifts his binoculars and points to the brush only 20 yards away. A sniper is moving through there, he tells me, but I still can't see him. Owens points to a shadow line across a gully. The morning sun, rising rapidly over the trees, is shifting the border of light.

"He's kind of rushing through it," Owens whispers. "With all that gear on him, low crawling in the underbrush, you can get impatient sometimes. You start to rush it. What you gotta do is pretty much take your time, blend in, and just start moving. If the terrain goes down, you go down with it. If it goes up, you go up with it. It's what we call Zen and the ground: Get down in it and flow with it. Pretty much shaping it, moving with it, pushing it slowly aside and letting it come back on its own."

Finally, I see a branch vibrate. Just then, Owens's radio spits with a message from a spotter. They've seen the trainee. Owens, unhappy, walks over to the man and talks quietly to him. He comes back, frustration spelled out on his face. In a real combat situation, his sniper might be dead.

Few troops would choose to spend a morning like this, even in today's sunny, fairly dry conditions. They wouldn't have the patience. And it's often not nearly this pleasant. At the sniper school at Camp Lejeune, in North Carolina, a trainee may spend his days and some nights crawling through swamps, being chewed by chiggers, bitten by ticks, backing away from snakes. The snipers must learn to ignore all of them.

"I once saw a trainee so covered in ticks I thought his skin was moving," an instructor recalls.

"The ones that will make it are very disciplined," says instructor Paul Rogers, a 26-year-old staff sergeant. But "you never can really tell who's going to be a good one."

'They got to learn to love the shadows,' the instructor rasps. He lifts his binoculars and points to the brush only 20 yards away. A sniper is moving through there.

The trainees are sitting in classroom rows, 17 young men in plain green fatigues with "high and tight" haircuts and lean, hungry looks. It's Day One at the Scout/Sniper School at Camp Lejeune, orientation.

One of them is Cpl. William McLeod, a polite, soft-spoken 25-year-old from Fort Walton Beach, Fla. McLeod and two other enlisted men have been sent for sniper training by their unit, the 2nd Reconnaissance Battalion of the 3rd Marine Division. All of them talk matter-of-factly about their assignment, like car mechanics sent to Detroit for an advanced course on electronic fuel injection. It's a good opportunity to "broaden their skills."

Demand is high for snipers these days, and not just in the military. The plague of standoffs with domestic militias, crazed husbands holding their families hostage, the embassy takeover in Peru, and the threat of terrorism in general have all created job opportunities for skilled shooters at the FBI, CIA, State Department, Secret Service and police departments.

"Sniping is just one more item in the recon bag of tricks," says McLeod. "I'm glad to have it," adds one of his buddies, Cpl. Trevor Stewart, 23, "so I can be ready for anything."

Unlike the Navy Seals, Green Berets, Army Rangers and other elite soldiers, Marine snipers aren't awarded special headgear or insignia. Nothing outward indicates a man possesses the special skills; there is only a notation in his personnel jacket. Which is fine with most, since snipers are sometimes razzed by regular soldiers as "assassins" and "killers." For some of the young men in the classroom, the idea of belonging to a brotherhood so elite that it's anonymous is satisfying.

"I think one of the neatest things is there's no badge in it," McLeod says. "There's nothing you put on your uniform that says, 'I'm a sniper.' They know they know how to do their job and don't have to put anything on their chest to show it."

As the classroom faces reflect, sniping draws a disproportionate number of white males. Indeed, of 419 active-duty Marine snipers, ac-

cording to Pentagon figures, only 18, or 4 percent, are African American, and only 21, or 5 percent, are Hispanic. There are smaller numbers of American Indians and men of Asian-Pacific origin. (Army figures are roughly the same.) Most of the men—and they are all men—are from the rural South, "hunting families," says Gunny Morris, who grew up in Stuarts Draft, Va., a small town deep in the Shenandoah Valley. Growing up hunting "may help sometimes," says an instructor, "because they're familiar with the weapon. In other cases it doesn't, because they can bring bad habits with them."

Their equipment is piled at their feet: boxes of radio gear, night vision goggles, binoculars and special long-range scopes. Their main weapon—the M-40A1 7.62mm sniper rifle, descended from a Remington deer rifle that many grew up with—lies across their desks.

Sniping is not for beginners. Every young man in the room has come from a combat unit—regular infantry, underwater warfare teams or "Force Recon," the Marines' long-range commando units. Some already have their parachute wings, or plan to go to jump school later. They're all at home with the basic mission of a frontline unit—to annihilate an enemy as quickly as possible. After completing the course, they'll be assigned to formal sniper platoons or scattered among commando or regular infantry units.

The door opens to the shout of "Attention on Deck," and in strides the school commander, Lt. Col. Randy Smith. Of course, as a Marine officer, he's nearly shouting at the recruits from some very deep place in his lungs.

"You are an absolutely special Marine, who happens to have particularly refined and honed skills," he tells the new students. He walks up and down the aisles, explaining what they'll be taught over the next nine weeks, and what's expected of them. He asks if they know what their commanders will be looking for when they summon a sniper. Smith supplies the answer: "a man who can go out there in enemy territory, by himself or in a two-man team, away from any supporting unit or agency, and be able to do his job."

But he gives a warning.

"If you go out there and establish yourself as some kind of Lone Ranger cowboy," he says, "with some kind of aura, some kind of superwarrior aura out there, just because you put some shots on target here and went snoopin' and poopin' around Camp Lejeune, I can assure you . . . when the [expletive] hits the fan, and when you are needed to do the job for real, you will not be the one selected to do it."

No Rambos Need Apply. It's a theme Smith and his officers proffer at every opportunity: Snipers must be under control, always under control. That lesson got some powerful reinforcement in 1992, when a graduate of the Marine sniping program, an FBI agent, shot Vicki Weaver in the head as she stood in the doorway of her cabin at Ruby Ridge, Idaho, her baby in her arms. The Justice Department subsequently criticized the FBI's rules of engagement, concluding its agent was not under proper control. And as the Ruby Ridge controversy continued to boil last summer, the Pentagon suspended sniper training for all civilian law enforcement officers. The FBI got an exemption in November but has not yet resumed training with the Marines.

So the issue of control is of particular interest to Smith, and he engages it eagerly over coffee in his office. Outside his window he can see a scrubby grass parade field that sometimes doubles as a training ground for sniper night maneuvers. "If we say to a Marine, we want you to crawl out there in enemy territory," he says, "and not be compromised and engage the enemy threat in such a manner, he's gonna do exactly that. If we say the rules of engagement are such that you are going to shoot this kind of target only, that's exactly what he's going to do. If a new commander has a sniper who he thinks is a rogue, who's going to take shots as he sees fit, he's not the kind of guy you want." The program, he adds, "is designed to screen for the kind of individual we're looking for, who we can give the rifle to."

Surprisingly, there are no formal written tests—no psychological or IQ workups, for example—but there are clear areas of emphasis: marksmanship, physical endurance, leadership, maturity and judgment. Candidates are chosen mostly through direct evaluation by an infantry battalion commander or NCO, who "sees them at duty, on liberty—he knows if they're having problems in the field or with their girlfriends," Smith says. "A commander's not going to recommend a Marine to us who's not mature."

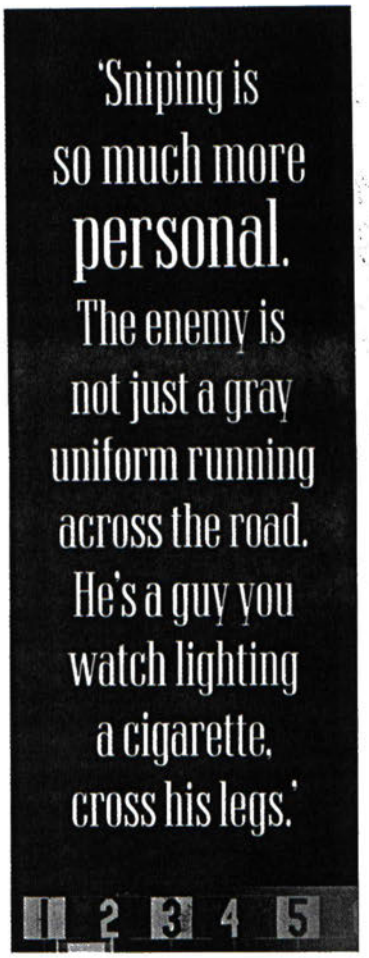
Stalking a man, though, is a very special calling, isn't it? It calls for a different mind-set.

"It's very personal," Smith readily concedes. "There's a very real difference between a soldier carrying a rifle in a platoon or company and a sniper with a scope at 10 power who's going to very selectively pick out his target . . . At 300 yards a regular infantryman with an M-16 is just going to see a blob. At a thousand yards a sniper is actually going to see the face and body of the person he's going to shoot . . .

"The thing I'm trying to get across to you," he adds, "is sniping is so much more personal. The enemy is not just a gray uniform running across the road. He's a guy you watch lighting a cigarette, cross his legs. You may sit there and watch him for an hour before you take him out . . . You may even have a profile of him: He smokes with his left hand, he's got blue eyes."

Sometimes, Smith says, a sniper's orders may be to creep up on an enemy force and start picking off the lowliest men in a unit, the hapless privates, "somebody who's taking a break like any GI in the world, sitting on his butt, smoking a cigarette, eating his chow. He just happens to be wearing a different uniform. He just happens to be on the enemy side. You're looking at him right in the eye."

It takes some getting used to, Smith concedes. But "in the dynamics of the course," he says, "a Marine comes to realize what he's going to do."



It's a mid-November day at Camp Lejeune, four weeks into training. No one has dropped out yet. The 17 sniper trainees are somewhere in the brush, inching their way through a field ruffled with tall goldenrod. The sun is high overhead. At the top of the meadow, 800 yards away, instructors scan the field with their binoculars, looking for the fatal quiver of grass.

Deep in the high grass, Cpl. McLeod is struggling. Chigger bites have welted his face, arms and legs. His sweat makes them sting. He can't scratch—too dangerous, and he doesn't have time. The ghillie suit is weighing him down. And after 2½ hours, he's only made it across a shallow creek and halfway up the hill. Other students are way ahead of him. He inches forward on his side, his belly, his side again, dragging his rifle behind him. He's carefully planting a hand in the grass, careful not to make an abrupt movement. At the top of the hill, he sees the binoculars sweeping toward him, like a searchlight on a prison yard.

Finally, he slips behind a bush, and sets up a final firing position. Something goes wrong. A flash off his scope, maybe. A nudge of a branch. An instructor is standing over him. *continued on page 35*

continued from page 22

"At first you're mad. You say there's no way you saw me," McLeod tells me later. It's the third or fourth time he's been flushed out in a stalking exercise. He's dejected. He knows time is running out.

"I got popped one time for movement—they caught me moving across an open area. But all the other times I was in my final fire position or looking for it and I made a mistake. I moved a tree, or they saw my veil or something on my ghillie suit, some sort of indication I was there."

He's mastered everything but the stalking, he says. "It's really taking a toll on me. I'm not a very good stalker, I'm not getting it. I can get within 200 yards, but I just have trouble finding position. I don't understand what I'm doing wrong . . ."

Will he make it? "I'm not sure, not today I'm not. It's eating me up."

His buddy Trevor Stewart, however, is doing well. For the first time, he's put a man's face in his cross hairs and pulled the trigger. *Bang!* His target happened to be Gunny Morris, sitting in a truck at the top of the hill. Morris was talking on the radio, joking with another instructor. Studying him through a telescopic sight, Stewart had the sensation of watching a silent movie.

Stewart had crossed a threshold of sorts. "You shoot a cardboard target a million times a day," he says, "but it's not moving, not looking back at you."

"It's really exhilarating, it really is," he says. "You know if it was a real situation, you've accomplished your mission."

For his part, Cpl. McLeod says he doesn't really think about the killing moment that much. "They got lots of things hangin' on the wall, talking about saving other lives, that sorta get your mind off of it," he says. "You know, like you're not out there murdering people, you're out there trying to save other Marines' lives, which is about the only way we can look at it, and it's about the only way I've thought about it."

Do the sniper trainees ever talk about the act of killing among themselves? "Not really. It never really came up," he says.

What does come up is the melding of a man and his historic moment, the belief that a single shot might determine the fate of a battle, or even a war. As one instructor puts it with intense satisfaction, "You're the man."

There's no way to be certain a sniper will take a shot when the real thing comes along, instructors say. But as with any military training, the mind-set is introduced, then drummed in.

"You know what?" says Sgt. Darren Carey, a 13-year Marine from Sayville, N.Y., a sniper trainee at Quantico. "The guys who graduate are so concerned with getting there, stalking safely, keeping positive commo [communications], creating a proper window, making sure the weapon is working properly, that when it comes to pulling the trigger . . ." He opens his palms, a gesture of inevitability.

"You gotta know yourself well," Carey says, "and if it weren't something for me . . . I'd think I'd have enough G-2 [intelligence] to say to myself, 'Step down.' "

The real thing was much more than one sniper bargained for when he pulled the trigger the first time in Somalia. Highly armed militiamen in Mogadishu were taking potshots at troops under the U.N. command. At one minute before noon on February 11, 1993, U.N. trucks were jammed up under a searing sun at the entrance to the port where supplies were being unloaded, when the Marine sniper, now an instructor at Camp Lejeune, spied an armed man darting behind a truck. A few minutes later he saw the Somali climb onto a grain truck and raise a rifle to his shoulder, aiming in the direction of the troops.

The Marine instantly made his decision. He centered the man's chest in his cross hairs.

The rest unfolded like a slow-motion, silent movie. He knows there was the crack of a rifle shot, because people scattered and flung themselves to the ground. But he can't remember any sounds.

"The one thing I remember—I remember seeing his shirt go 'poof' when I hit him," the Marine says now. "He was just looking up in the air with his mouth open, gasping for air, and I just sat there, I just sat there. And then I thought, 'He's going to get back up,' and then I racked that bolt really hard; I almost ripped the bolt out of the back."

Instead, the Somali slumped onto the pile of grain on the truck. The sniper was surprised. "There's no blood, there's no nothing," he says, recalling the moment. "You just—he just spun a little and lay down on the grain."

The Marine later learned that his first sniping kill was about 40 years old, with a wife and several children. "That wasn't really something I needed to know," he says thickly.

When he got back home, he and his wife talked about it together. She wept. Today, the experience still triggers difficult emotions. "I do think about it," he says. "The only bad part of being an instructor is that I have to relive it every time I retell it. Just like now. I mean, I'm not shaking or anything, but I'm back there. I'm thinking about it. There's always . . ." His voice trails off. "Sometimes you just wish it would go away or whatever."

Now, he prepares sniper students about the emotional side of killing a human being. But within limits. "You try not to give them too much information," he says. "That would make them hesitate."

On December 12, Cpl. McLeod washed out. The stalking got him.

"I got overanxious and clipped a tree in front of me instead of raising my tripod up a bit," he is saying shortly thereafter. The instructor saw powder burns on the three-inch branch and said, "That round would've never gotten there." In effect, his intended victim would have been able to shoot back.

He's feeling "about as low as I've ever felt about anything—I've never failed anything in the Marine Corps before. And this is a first time for me."

But with the failure comes a sense of relief—"The pressure was all off," he says, "the threat of failing wasn't there anymore"—followed by reflection and a new decision. In February he will reenroll in the program, explaining, "My unit needs me with that skill."

Three hundred miles north at Quantico, Darren Carey's sniper class is entering its final week. It's a sunny, warm day on the rifle range. Morale is high, because everyone has survived the stalking exercises. He and his fellow trainees are firing an array of Warsaw Pact and NATO automatic weapons.

"Everybody here realizes it's a very serious game. A very deadly game, a very serious situation they're putting themselves into," says Carey, who has spent most of his time in the Corps as a demolition specialist with a tough, door-kicking Force Recon unit. Among other dangerous spots, he's been to deployed to Haiti and Colombia, where he was on a team that monitored the movements of suspected narco-terrorists during a drug summit attended by President Bush.

He's not, in other words, soft. But the sniping course has caused him to look deeper into himself.

"For a true professional, it's a faceless target," he says. "You're not looking at the crease in his face or the type of eyebrows, the type of nose he has. You're seeing a silhouette, maybe eyes and lips. Basically you're seeing a threat, a personal threat; it's you or him."

But he's decided he won't invest himself completely in the mind-set of a professional sniper. He is going to tuck away a little piece of himself for later, when he isn't a sniper anymore.

"I've got to hold some back for me," he explains, sun washing his face. "Not me *Sergeant* Carey, but me—Darren. I mean, I'm going to be a civilian sometime, I want to get married and have a family.

"I'll need to preserve part of me that is Darren, the person, not Darren, the sniper." ■

Jeff Stein was a military intelligence case officer in Vietnam and is the author of A Murder in Wartime: The Untold Spy Story That Changed the Course of the Vietnam War.

THE WHITE HOUSE

WASHINGTON

Date 3/10/97

To: John Hart
John Hilley & Tracey Thornton

From: The Staff Secretary

FYI.

Helen

3413576

NATIONAL CONFERENCE OF CATHOLIC BISHOPS

Office of the President
3211 Fourth Street NE Washington DC 20017-1194 (202) 541-3100 FAX (202) 541-3166

Most Reverend Anthony M. Pilla, D.D., M.A.
Bishop of Cleveland
President

March 7, 1997

The Honorable William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President,

We write to you again about one of the most urgent moral issues of this day--partial-birth abortion. We do so in the wake of recent revelations corroborating the arguments of those who seek a ban on this practice and contradicting the arguments of its proponents. Fortunately, the public has learned a great deal through these disclosures.

The public has learned that partial-birth abortions are performed not a few hundred times a year, but thousands of times each year. It has learned that partial-birth abortion is used primarily in the fifth and sixth months of pregnancy, and that restrictions confined to the third trimester would therefore be inadequate. The public has also learned that the vast majority of these procedures are performed on the healthy babies of healthy women.

Disclosures have also made clear, as those who seek to ban this practice have testified, that there are no published data to support a claim that partial-birth abortions may ever be necessary to preserve a woman's life, health or future fertility. To the contrary, hundreds of doctors, most specialists in maternal and fetal medicine, have explained why partial-birth abortion itself poses, not avoids, significant risks to women's health and future fertility. Clearly, any claim that partial-birth abortion must be available to protect a woman's health has no basis in fact.

The American College of Obstetricians and Gynecologists (ACOG) recently reversed itself in this regard. ACOG had said that partial-birth abortion "may be" the safest procedure in a particular circumstance, but one of its spokespersons now says "it may not be." The College is clear in saying that partial-birth abortion is *never* the only procedure that will preserve a woman's health or fertility in *any* situation.

Mr. President, you are in a unique position to ensure respect for all human rights, including the right to life which is denied to infants who are brutally killed in partial-birth abortion.

We urge you to seize the opportunity before you to explain that you were misled, as were most Americans. We urge you to ask Congress to pass a bill banning partial-birth abortions, and let it be known that you will sign it into law. For our part, we will continue to urge that such a bill is passed in both Houses of Congress with sufficient votes to ensure that it will become the law of the land.

Hoping we will be together on this issue, we are,

Sincerely yours,

Cardinal Anthony Bevilacqua
Archbishop of Philadelphia

Adam Cardinal Maida
Archbishop of Detroit

Cardinal James Hickey
Archbishop of Washington

Roger Cardinal Mahony
Archbishop of Los Angeles

Cardinal William Keeler
Archbishop of Baltimore

John Cardinal O'Connor
Archbishop of New York

Cardinal Bernard Law
Archbishop of Boston

Most Reverend Anthony M. Pilla
Bishop of Cleveland
President, NCCB/USCC

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE
WASHINGTON

March 7, 1997

MEMORANDUM FOR THE PRESIDENT

CC: **ERSKINE BOWLES, SYLVIA MATHEWS AND JOHN PODESTA**

FROM: **ANN LEWIS**

SUBJECT: **COORDINATED DC OUTREACH PLAN FOR MARCH AND APRIL**

Our office has been working closely with Carol Thompson-Cole, Steve Silverman of Cabinet Affairs and the First Lady's office to develop a coordinated DC outreach plan for the months of March and April, making the best possible use of Presidential events, the other principals, and Cabinet and sub-Cabinet efforts.

Our purpose is to convey a sense, both to the media and to the community at-large, that our administration has been increasingly involved in DC as a neighbor and as a partner over the past four years, and that you have determined that you will be much more involved in the next four years. To do so we suggest holding two kinds of events:

- Major initiatives -- such as the ConnieLee and DC Reads events -- which offer hard news (at least locally);

- Lower-impact agency activities -- ranging from Cabinet secretaries teaching in schools to the donation of computers by agencies -- which can be highlighted to show our long-term commitment but may not be newsworthy as "stand-alone" events.

These events would cover a broad range of issues, and when possible, should tie-in with our broader plan for the District of Columbia.

The Four Principals

Your announcement of our DC economic development plan on Tuesday will be the fourth major event with a principal in less than one month (following the First Lady's challenge to law firms to adopt DC schools on February 14, your announcement of the DC Reads initiative on February 21, and the First Lady's announcement of the ConnieLee/school construction initiative on March 4). Since events with you, the First Lady, the Vice President, or Mrs. Gore are the

THE PRESIDENT HAS SEEN

most powerful demonstration of our commitment, we hope to schedule approximately two of these each month, which would mean three more by the end of April.

We have identified a number of options which will be presented to the principals' scheduling offices:

April 5 -- Possible VP event kicking-off 4 Saturdays of DC Net Days (or event on any of 4 days)

Week of April 20 -- Preceding Service Summit in Philadelphia, use DC event to demonstrate hands-on volunteer service, led by principals as part of press lead-in

April 22 -- Earth Day -- possible POTUS/VP event (plus Cabinet members cleaning-up DC parks) on or around Earth Day

April 26 -- Possible First Lady participation in "Christmas in April," fixing up D.C. housing (with possible White House staff participation on this or a separate date)

Other Options:

POTUS visit to Metropolitan Baptist Church (which has strong youth programs)

Principal joins Sec. Cuomo to announce new Homeownership Partnership for DC

First Lady or Mrs. Gore join Sec. Alvarez for women's small business roundtable at National Women's Business Center

Principal highlights HUD's Youthbuild initiative, helping disadvantaged youth gain skills by rehabilitating low-income housing.

Cabinet and Sub-Cabinet

We are working with Cabinet Affairs to plan a Cabinet roll-out for the ten days following Tuesday's economic development announcement (March 12-22) -- a period of high-visibility events to build-up existing agency efforts and announce future commitments. This roll-out would set a pattern for future Cabinet activity in the District, and would also alert the media that we are doing a lot across a range of issues.

We suggest beginning the roll-out by having you announce in your remarks on Tuesday that while your administration has done a lot in DC, you are asking them to do more; that in the coming two weeks your Cabinet members will be highlighting their efforts throughout the community, and that you have asked them to report back to you in 90 days on their progress in DC and their plans to move forward (giving us fresh ideas for future events).

PRESIDENT HAS SEEN

Over the course of the 10 days, we would make three strong announcements, and hold 8-10 lower-impact events. We plan to pick two days out of the ten for "packages" of three events -- including one announcement, and two lower-impact events on completely different issues. This would enable reporters to attend all three and easily write stories about our ongoing commitment to helping DC across a range of issues. For example, on the same day, Secretary Cuomo could announce a new DC housing initiative, followed by a different Cabinet member teaching a class, followed by an event highlighting GSA employees' efforts to help with gang prevention.

As we move forward, we also hope to use single days to highlight ongoing efforts in a single area, such as using one of the DC Net Days to highlight other technology partnerships, or holding a series of environmental events around Earth Day.

Cabinet Affairs is currently gathering options for the Cabinet roll-out, and we will have a complete schedule by Tuesday. Significant announcements could include:

- An event with Secretary Cuomo announcing that the federal government will provide more than $12 million in grants and loans to help develop a new supermarket in Anacostia;

- An announcement by Secretary Glickman of a "gleaning" program for DC -- donating leftover food from agencies to relevant DC organizations that feed the hungry;

- Possible announcement that Secretary Albright and Ambassador Richardson will adopt schools in DC, teaching the children about geography and international affairs as they travel around the world.

Other options include an event with Secretary Slater to highlight our improvements of local highways, an event highlighting the Labor Department's help in developing community job training and employment programs, and Secretary Riley's participation in the launch of the DC branch of the "Do Something" program (focussing on efforts of young people to improve schools and communities).

Please let us know your thoughts on the above. Attached is a selected list of agency activities in DC over the past four years, which we plan to hand out to the press at Tuesday's economic development announcement.

RENEWING OUR CAPITAL CITY:
CLINTON ADMINISTRATION INVOLVEMENT IN THE DISTRICT OF COLUMBIA

Since January 1993, the Clinton Administration has been actively involved in the District of Columbia -- serving as a partner and a good neighbor across a range of issues. Administration officials are volunteering throughout the DC community. Cabinet members have personally adopted DC public schools. Federal employees serve as mentors, tutors and athletic coaches. Agencies have donated computers, provided internships, and offered career training and summer jobs to DC's young people. Highlights include:

DEPARTMENT OF TREASURY

-- Provides paid internships to 100 students each year.

DEPARTMENT OF JUSTICE

-- Provided over $10 million to hire DC community police officers.

-- Adopted 16 District schools, including Raymond Elementary, where the Attorney General Reno personally volunteers.

-- FBI agents teach civics, drug prevention and the workings of the FBI in DC schools.

-- Partnership with DC schools to teach and raise awareness about peer mediation as a way to prevent violence.

DEPARTMENT OF LABOR

-- Awarded $200,000 grant to develop a school-to-work system in DC.

-- Provided 2,000 summer jobs to DC youth in summer 1996.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

-- Donated 76 computers to Eastern High School, staff trained students in their use.

-- Adopted the Robert Brent Elementary School in Southeast D.C.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

-- Pledged $1.5 million to Washington Interfaith Network for home ownership, youth activities.

-- Awarded $25 million to DC to tear down and rebuild Ellen Wilson Homes.

-- Awarded $8.5 million in grants and loan guarantees for Community Empowering Banking Initiative to revitalize poor communities.

DEPARTMENT OF TRANSPORTATION

-- Employees tutor students at Hine Junior High School.

-- Giving financial support, computers and internships to Cardozo High School.

THE PRESIDENT HAS SEEN

DEPARTMENT OF ENERGY

-- Donated 257 pieces of equipment (computers, printers, etc.) to schools.

-- Through Mentor Program, enabled Anacostia H.S. seniors work in office environment, to prepare for higher education and careers in government.

-- Offered internships and academic seminars for students gifted in math, science and engineering.

ENVIRONMENTAL PROTECTION AGENCY

-- Employees serve as mentors, tutors, instructors, and field trip leaders at three schools.

-- Volunteer teaches Environmental Sciences at Kramer Middle School.

NASA

-- Providing scientists and engineers to address students on aerospace, general science, mathematics and technology.

-- Providing software and on-line learning to schools.

GENERAL SERVICES ADMINISTRATION

-- Donated 185 computers to DC schools, 40 computers to UDC.

-- Federal Protective Service is working under AFT's Gang Resistance Education and Training to prevent gang involvement.

DEPARTMENT OF INTERIOR

-- US Park Police serve as instructors for more than 1,000 students.

-- Operating scouting program with law enforcement emphasis, involving participants in parking and traffic control during parades and special events.

OFFICE OF PERSONNEL MANAGEMENT

-- Donated hundreds of computers, copiers, photography equipment, etc. to Lincoln Multi-cultural Middle School.

My SS detail adopted Kramer MS—

Copies to
Dyellen + E. Bowles

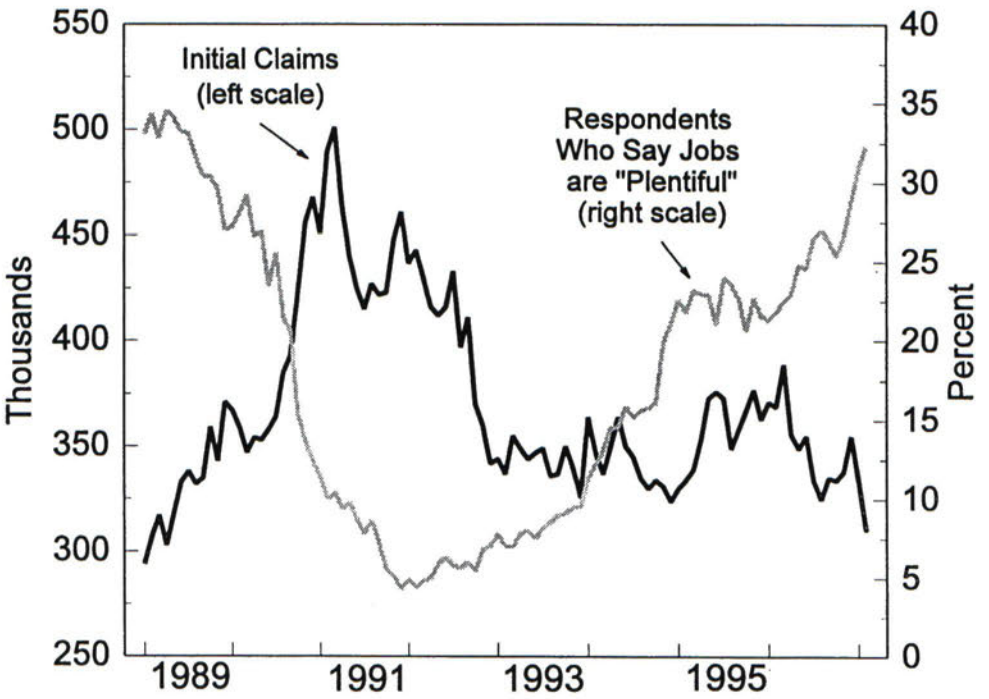
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

March 7, 1997

CHART OF THE WEEK

Two Measures of a Strong Labor Market



The unemployment rate dropped slightly in February, to 5.3 percent, and 339,000 jobs were added to payrolls. The strong labor market reflected in the unemployment rate also shows up in the Conference Board's survey of consumer confidence, where the proportion of respondents who believe jobs are "plentiful" has climbed steeply and now stands close to the levels reached at the peak of the previous expansion. The continuing strong pace of job creation also shows up in initial claims for unemployment, which have fallen to their lowest level in this expansion.

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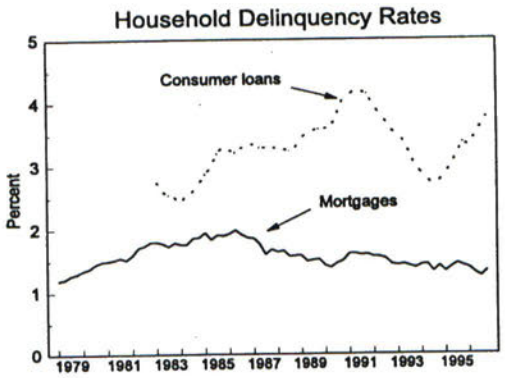
"Your wonderful daughter and I would like to become engaged in F.Y. '97, married in F.Y. '98, and, if the numbers look good, start a family in F.Y. '99."

CURRENT DEVELOPMENT

The Financial Condition of Households: An Update

New data continue to support the analysis in the 1997 *Economic Report of the President* showing that potentially worrisome trends in aggregate consumer indebtedness, credit card delinquencies, and personal bankruptcies do not represent the kind of financial imbalances that might cause the economy to stumble.



Recent trends. Preliminary Federal Reserve data show that the delinquency rate for consumer loans on banks' books continued to mount in the fourth quarter (see chart). Bank losses on consumer loans, as measured by net charge-offs, leveled off late last year after six quarters of large increases, but they remain very high. Personal bankruptcies have increased sharply since 1994 and have reached record levels.

Reasons for confidence. Other information suggests that households and lenders are adjusting to these developments and that the household sector's overall finances remain sound.

- The rapid growth in consumer credit that prevailed in 1994 and 1995 slowed in 1996, with all types of consumer borrowing contributing to the slowdown.

- Some banks report tightened standards and terms for credit card lending and, to a lesser degree, other types of consumer lending.

- The delinquency rate on residential mortgage loans, which account for about two-thirds of household debt, ticked up in the fourth quarter, but has trended down in recent years, reaching the lowest levels seen in more than a decade (see chart).

- In 1996 the ratio of household-sector net worth to income reached its highest level in more than 30 years, and the robust growth in the stock market late last year and early this year suggests that this ratio has risen further.

- The rise in personal bankruptcies is probably at least partly the result of changes in bankruptcy law and a number of broader societal changes, not just financial stress.

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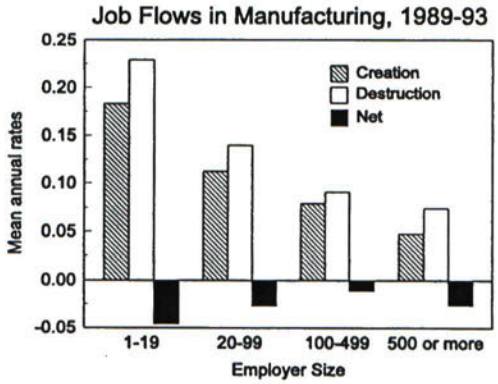
SPECIAL ANALYSIS

Small Business and Jobs: What Is the Evidence?

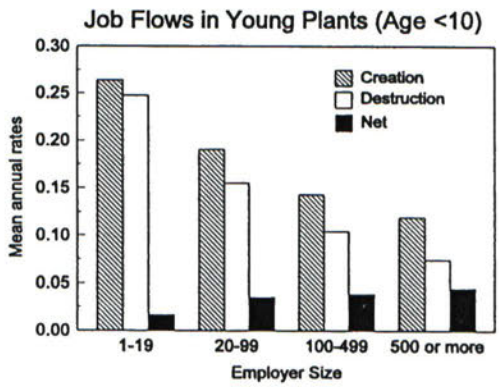
The conventional wisdom is that small business is responsible for a very high proportion of new job creation in the economy. Certainly, many small businesses are dynamic entities that foster innovation and job growth; entrepreneurial, high-tech companies in Silicon Valley are prime examples. Recent research suggests, however, that youth rather than size may be the key to job creation.

A matter of interpretation. The new research into patterns of job creation and destruction has looked most carefully at manufacturing, where the data are best. But similar patterns appear to hold for the rest of the economy as well.

One important research finding is the sheer turbulence that exists in every size class. As explained in the box on the next page, evidence supporting the conventional wisdom focuses on net job creation by employment size class. But gross job creation and gross job destruction dwarf the net figure in every size class (see upper chart). Yes, small businesses create large numbers of jobs—but they also destroy large numbers of jobs. No, they do not create all the new jobs—a vast number are created by large businesses as well. (Total manufacturing jobs declined over this period, hence the negative net job creation in every size class.)



Should the SBA be renamed the Young Business Administration? Youth seems to matter more than size in the job creation process. Even in manufacturing, where overall employment was declining, establishments less than 10 years old had positive net job growth—in every size class (see lower chart). Most young establishments are also small and have high rates of job creation. But they have high rates of destruction as well. Perhaps the most provocative new finding is that no systematic relationship between employer size and job growth remains once the job-generating effects due to youth are taken into account.



Implication. Many public policies exist to help small business. The research reported here does not address the wisdom of those policies, but it does suggest new avenues for conducting any such assessment.

The Conventional Wisdom

Influential early research on the importance of small business in creating jobs used what some researchers now consider to be an unsuitable data set and a potentially biased methodology. The approach was the following:

- Separate firms into different size classes according to their size in the first year of the time period in question.
- For each size class, compute the number of new jobs created in firms that experienced employment gains and the number of old jobs lost in firms that experienced employment declines.
- Call the difference between these two numbers the number of new jobs created in each size class over the time period in question.

A typical finding is that the number of net new jobs created in the small business size category is a large fraction of the total number of net new jobs in all categories combined.

To see the potential bias in this methodology, consider a firm that experiences fluctuating size, sometimes being classified as "small" and sometimes as "large." In those years when it grows, its job growth is counted as coming from a small business; in years when it shrinks, its job loss is counted as coming from a large business. A better method might be to classify the firm by its average size rather than by its first-year size, in which case the data in this example would show that job creation is unrelated to firm size. Research using manufacturing data suggests the bias from using a base-year methodology is important.

SPECIAL ANALYSIS

Economics and the Regulation of Broadcast Content

Last summer the Federal Communications Commission adopted rules requiring television broadcasters to air at least 3 hours a week of children's educational programming. Some critics view content rules like these as unwarranted intrusions into the free market that reduce economic efficiency. But economic theory provides several potential justifications for such government intervention in broadcasting.

Divergence of advertiser and viewer interests. Conventional "over-the-air" television is directly supported by advertisers, not viewers. Advertisers hope to recover their costs by encouraging viewers to buy their products. But from a business perspective, viewers are not so much the consumers of television as they are the product. Broadcasters try to attract viewers to "sell" to advertisers.

Although viewers might prefer different programming from what is offered on advertiser-supported free TV, they lack the means to express such preferences directly. Programs that viewers would be willing to pay to see on a commercial-free basis, or that cater to a small audience that values them highly, are likely to be under-represented in the broadcast schedule. Children's television content rules or public broadcasting subsidies can lead to programs that viewers would buy if they had a way to outbid advertisers for TV time. Such payments might not be large. The amount paid to show ads averages out to only about 15 cents per household per hour.

Scale economies in watching the kids. Even if parents could pay to select programs for their children, they might not be able to ensure that their children actually watch those programs. Monitoring children's viewing is not costless, especially for working parents. Limiting certain kinds of programming during prime children's viewing hours may provide collective "kid-watching" benefits that exceed what others would offer during those times to see programs unsuitable for children.

Promoting children's interests. Parents may not always act in a way that maximizes their children's welfare. Society requires that children attend school, even though a good education is something parents should want for their kids. Similarly, society might want to limit kids' exposure to certain kinds of programs and encourage exposure to others, whether or not monitoring is difficult or costly.

Technology and information can help. Growth of cable television, video cassette rentals, and direct satellite broadcasting increases opportunities for direct viewer choice and reduces programming biases due to advertiser support. Program blocking devices can make it less costly for parents to control what their children see. New ways of providing parents with information about program content should also prove helpful. But as long as over-the-air television remains dominant and parental monitoring is costly and imperfect, an economic rationale for content regulation will continue to exist.

ARTICLE

Do We Already Have a Capital Budget?

One issue that arose in the balanced-budget-amendment debate was the possibility of using a capital budget as the basis for making Federal decisions about taxes and spending. Such a budget would have separate accounts for current (or operating) expenses and for net investment. Interestingly, the national income and product accounts already feature a capital-budget-like "current deficit."

Net investment not included. The unified budget generally measures expenditures on the basis of cash flows. In contrast, the NIPA budget accounts feature the Federal Government's current expenditures. Like unified outlays, current expenditures include salaries of government workers, transfer payments, and net interest. Unlike unified outlays, however, they also include the depreciation of fixed Federal capital, one of the operating costs of the government. Spending on gross physical investment is excluded from NIPA current expenditures because it is not an operating expense.

Financial transactions and asset sales are also very important. Although discussions of capital budgets often focus on the treatment of investment, the treatment of financial transactions and asset sales is no less important. The NIPA measure of current expenditures excludes purely financial transactions like deposit insurance outlays. These transactions affect the composition of the government's portfolio—substituting one kind of asset for another—but they do not affect the government's current expenditures or its saving. Similarly, sales of government assets, like the spectrum, generally lower outlays in the unified budget (they are typically treated as negative outlays), but they do not affect current expenditures.

Reconciling the Unified and Current Budget Deficits for FY 1996
(billions of dollars)

Unified deficit		107
less:	Gross investment	63
plus:	Depreciation	73
less:	Financial transactions and asset purchases	-6
plus:	Other	7
equals:	current deficit (NIPA)	130

Reconciling the current and unified deficits. The NIPAs subtract receipts from current expenditures in order to come up with a current deficit (sometimes referred to as the "NIPA deficit"). The current deficit in fiscal year 1996 was $130 billion, or 1.7 percent of GDP, somewhat higher than the unified deficit of $107 billion or 1.4 percent of GDP (see table).

Physical investment is not that large. On a NIPA basis, the Federal Government spent $63 billion on gross investment in fiscal year 1996 (4 percent of total spending). This was more than offset, however, by $73 billion of depreciation of Federal fixed capital. Thus, net Federal investment was negative in FY 1996 (that is, more of the inherited capital stock was depreciated than was replaced). This increased the current deficit.

THE PRESIDENT HAS SEEN
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Negative net investment was more than accounted for by the depreciation of defense capital, most likely as a result of curtailed defense investment following the end of the Cold War. Net investment in nondefense capital was positive.

A narrow definition of investment. The NIPA definition of Federal investment is consistent with the definitions used to differentiate private consumption from private investment. For example, both treat the purchase of a structure as an investment, but both treat education expenditures as current consumption. The Office of Management and Budget prepares a broader estimate of major Federal investment outlays that includes spending on research and development, education and training, and grants to state and local governments for physical capital. Investment measured this way totaled $228 billion in FY 1996, nearly four times more than the gross investment reported in the NIPAs. Any effort to incorporate these investments into a capital budget would also have to deal with the formidable task of calculating depreciation and net investment for categories like education and research and development.

But can we come close enough accounting for future wage growth investments —

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

After-School Jobs Help At-Risk Youth. Part-time employment among high school students has become increasingly common over the past 20 years, but is this a good development? A recent study suggests it is, at least for at-risk students (those with low educational achievement and little parental support while in high school). The study finds that at-risk students who work during high school are more likely to obtain a job right after graduation than those who do not, after controlling for other factors that affect economic outcomes. Nor does the link between working while in high school and finding steady employment seem to diminish over time for at-risk students, as it does for most other students. Although students with high school work experience are more likely to drop out of school temporarily, an early educational hiatus does not appear to be indicative of the number of grades completed 10 years later—apparently many of them return to school in the interim.

Business Failures Remain Unchanged. The number of failed businesses in the United States was almost unchanged for the third year in a row, according to newly released data. Nationwide, about 71,800 businesses failed during 1996 (about the same as 1994 and 1995 but down substantially from about 97,000 in 1992). The dollar liabilities associated with these failed businesses declined 9 percent in 1996 compared with 1995. Although the total number of failures changed little, significant increases occurred in some sectors, such as agriculture businesses, transportation, and public utilities. The regional pattern of failures was also uneven, with New England and South Atlantic states reporting the largest reductions nationwide, and the Mountain region experiencing the sharpest increase. Given the relatively low level of unpaid debts associated with the failures, analysts think the failures are unlikely to have much economic impact in 1997. The news was seen as a reflection of the steady economic conditions in 1996, and the trend points to sustained growth for the foreseeable future.

Americans Concerned About Medical Ethics. The recent sheep cloning in Scotland may have sparked heated debate among medical ethicists, but a recent survey by the American Medical Association finds that a majority of Americans have serious personal concerns about medical ethics issues that strike closer to home. Nearly nine out of ten Americans with dependent children are worried that insurance companies, rather than physicians, are increasingly playing the lead role in determining appropriate medical care. Over three-quarters are concerned about issues relating to care at the end of life, such as physician-assisted suicide and adherence to advance directives. While three out of four Americans say they would be tested for one or more specific genes, most are concerned about the privacy of that information. In addition, 60 percent are worried about the ramifications of being able to select the genetic makeup of babies.

THE PRESIDENT HAS SEEN
3-10-97

INTERNATIONAL ROUNDUP

Bulgaria Seeks Debt Rescheduling. Against the background of a dramatic economic collapse, the government of Bulgaria has asked the Paris Club to reschedule $50 million of this year's debt repayment. Debt rescheduling is part of a larger reform effort that includes ending gasoline subsidies and privatizing state assets. Even in key sectors like telecommunications, the new government has expressed its willingness to lift the 25 percent cap on foreign ownership in order to boost revenues. It is also hoped that privatization will help transform the Bulgarian economy, 80 percent of which remains state-owned.

Information Technology Agreement Reaches Important Threshold. The conclusion of a global accord on information technology (IT) now appears imminent after Thailand and Malaysia announced they would sign the pact. With the support of Thailand and Malaysia, the accord will now cover more than 90 percent of IT trade, a level required by the Singapore Ministerial. The world market for information technology is estimated to be worth about $500 billion a year. The United States certainly will benefit from the agreement, both as a major exporter of information technology and as an importer. Implementation issues such as tariff phaseouts remain to be resolved before April 1. The first set of tariff reductions is set for July 1997.

Egypt and Other Nile States Seek Regional Solution to Water Scarcity. Last week, 10 states with an interest in Nile River water issues met in Cairo to discuss ways to use the resource more efficiently. Despite the political discord existing among some of the member states, the tone of the conference was reported to have been constructive and cooperative. The aim of the conference was to secure $100 million in aid for 21 projects that would enhance the river's economic potential and ensure a more equitable distribution of the water resources. Egypt, the most populous country in the Nile Basin and primary user of the river, is reported to have launched a $228 million canal project to divert water from the Nile to the Western Desert. The hope is that the canal project will help build urban settlements and attract private investment. Historically, urbanization and industrialization have resulted in decreased water usage as less water is used for irrigation.

RELEASES THIS WEEK

Employment and Unemployment
****Embargoed until 8:30 a.m., Friday, March 7, 1997****

In February, the unemployment rate was 5.3 percent; it was 5.4 percent in January. Nonfarm payroll employment rose by 339,000.

Leading Indicators

The composite index of leading indicators increased 0.3 percent in January.

NAPM Report on Business

The Purchasing Managers' Index rose to 53.1 percent in February from 52.0 percent in January.

MAJOR RELEASES NEXT WEEK

Productivity (Tuesday)
Retail Sales (Thursday)
Producer Prices (Friday)
Industrial Production and Capacity Utilization (Friday)

U.S. ECONOMIC STATISTICS

	1970–1993	1996	1996:2	1996:3	1996:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.2	4.7	2.1	3.9
GDP chain-type price index	5.3	2.1	2.2	2.0	1.8
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	1.2	0.6	0.0	2.2
Real compensation per hour:					
Using CPI	0.6	0.4	0.1	1.0	0.4
Using NFB deflator	1.3	2.1	2.0	2.0	2.4
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.4	10.3	10.6	10.5
Residential investment	4.5	4.1	4.2	4.1	4.1
Exports	8.2	11.3	11.3	11.1	11.5
Imports	9.2	12.6	12.6	12.7	12.7
Personal saving	5.1	3.6	3.2	3.9	3.8
Federal surplus	–2.7	N.A.	–1.7	–1.6	N.A.

	1970–1993	1996	Dec. 1996	Jan. 1997	Feb. 1997
Unemployment Rate	6.7**	5.4**	5.3	5.4	**5.3**
Payroll employment (thousands)					
increase per month			**231**	**247**	**339**
increase since Jan. 1993					**11785**
Inflation (percent per period)					
CPI	5.8	3.3	0.3	0.1	N.A.
PPI-Finished goods	5.0	2.8	0.6	–0.3	N.A.

**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, March 7, 1997.**

FINANCIAL STATISTICS

	1995	1996	Jan. 1997	Feb. 1997	March 6, 1997
Dow-Jones Industrial Average	4494	5743	6707	6917	6945
Interest Rates					
3-month T-bill	5.49	5.01	5.03	5.01	5.09
10-year T-bond	6.57	6.44	6.58	6.42	6.62
Mortgage rate, 30-year fixed	7.95	7.80	7.82	7.65	7.84
Prime rate	8.83	8.27	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	**Current level March 6, 1997**	**Percent Change from Week ago**	**Year ago**
Deutschemark-Dollar	1.717	1.7	16.3
Yen-Dollar	121.3	0.4	15.1
Multilateral $ (Mar. 1973=100)	96.09	1.2	11.0

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	3.2 (Q4)	**5.3** (Feb)	3.0 (Jan)
Canada	2.3 (Q4)	9.7 (Dec)	2.1 (Jan)
Japan	3.2 (Q3)	3.3 (Dec)	0.6 (Jan)
France	2.1 (Q4)	12.8 (Oct)	1.7 (Jan)
Germany	2.2 (Q4)	7.5 (Nov)	1.8 (Jan)
Italy	0.7 (Q3)	11.9 (Jul)	2.6 (Jan)
United Kingdom	2.7 (Q4)	7.8 (Dec)	2.8 (Jan)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, March 7, 1997.**

THE WHITE HOUSE

WASHINGTON

Date 3/10/97

To: Elena Kagan

From: The Staff Secretary

FYI.

3413576

NATIONAL CONFERENCE OF CATHOLIC BISHOPS
Office of the President
3211 Fourth Street NE Washington DC 20017-1194 (202) 541-3100 FAX (202) 541-3166

Most Reverend Anthony M. Pilla, D.D., M.A.
Bishop of Cleveland
President

March 7, 1997

The Honorable William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President,

We write to you again about one of the most urgent moral issues of this day--partial-birth abortion. We do so in the wake of recent revelations corroborating the arguments of those who seek a ban on this practice and contradicting the arguments of its proponents. Fortunately, the public has learned a great deal through these disclosures.

The public has learned that partial-birth abortions are performed not a few hundred times a year, but thousands of times each year. It has learned that partial-birth abortion is used primarily in the fifth and sixth months of pregnancy, and that restrictions confined to the third trimester would therefore be inadequate. The public has also learned that the vast majority of these procedures are performed on the healthy babies of healthy women.

Disclosures have also made clear, as those who seek to ban this practice have testified, that there are no published data to support a claim that partial-birth abortions may ever be necessary to preserve a woman's life, health or future fertility. To the contrary, hundreds of doctors, most specialists in maternal and fetal medicine, have explained why partial-birth abortion itself poses, not avoids, significant risks to women's health and future fertility. Clearly, any claim that partial-birth abortion must be available to protect a woman's health has no basis in fact.

The American College of Obstetricians and Gynecologists (ACOG) recently reversed itself in this regard. ACOG had said that partial-birth abortion "may be" the safest procedure in a particular circumstance, but one of its spokespersons now says "it may not be." The College is clear in saying that partial-birth abortion is *never* the only procedure that will preserve a woman's health or fertility in *any* situation.

Mr. President, you are in a unique position to ensure respect for all human rights, including the right to life which is denied to infants who are brutally killed in partial-birth abortion.

We urge you to seize the opportunity before you to explain that you were misled, as were most Americans. We urge you to ask Congress to pass a bill banning partial-birth abortions, and let it be known that you will sign it into law. For our part, we will continue to urge that such a bill is passed in both Houses of Congress with sufficient votes to ensure that it will become the law of the land.

Hoping we will be together on this issue, we are,

Sincerely yours,

Cardinal Anthony Bevilacqua
Archbishop of Philadelphia

Adam Cardinal Maida
Archbishop of Detroit

Cardinal James Hickey
Archbishop of Washington

Roger Cardinal Mahony
Archbishop of Los Angeles

Cardinal William Keeler
Archbishop of Baltimore

John Cardinal O'Connor
Archbishop of New York

Cardinal Bernard Law
Archbishop of Boston

Most Reverend Anthony M. Pilla
Bishop of Cleveland
President, NCCB/USCC

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THE PRESIDENT HAS SEEN
3-10-97

March 7, 1997

MEMORANDUM FOR PRESIDENT CLINTON

FROM: Franklin D. Raines
Robert E. Rubin R.E.R.

SUBJECT: D.C. Economic Development Plan

We have now finalized the details of your economic development plan for the District of Columbia. You are scheduled to announce the plan at the White House on Tuesday, March 11.

The plan is designed to complement the other elements of your "National Capital Revitalization and Self-Government Improvement Plan." It responds to the unique needs of the District of Columbia, draws on the best features of successful economic development models in other cities, and builds on the Administration's urban agenda.

The plan includes $235 million in federal tax incentives and $50 million in initial capitalization of a new D.C. economic development corporation. The plan includes incentives focused on D.C.'s distressed areas, as well as flexible tools that can be used for downtown and other development. The main elements of the plan include:

A new "D.C. Jobs Credit." The plan would provide a 40 percent tax credit on the first $10,000 of eligible wages (including employer-provided health care, dependent care, and educational assistance) in the first year of employment,. The D.C. Jobs Credit would be available to businesses located in D.C. that hire low or moderate income District residents living in a census tract with a poverty rate of at least 15 percent, and certain other disadvantaged D.C. residents. This Jobs Credit builds on the Empowerment Zone Wage Credit, as well as the Work Opportunity Tax Credit passed last year, and on your proposed Welfare to Work Tax Credit. In addition to the Jobs Credit -- which would be used by tax-paying entities -- your plan includes $20 million to support related job creation efforts by non-profit groups (see "Economic Development Corporation" below).

A new "D.C. Capital Credit." The plan would provide $95 million in tax credits for investment in and loans to D.C. businesses. The credits would be worth up to 25 percent of the amount invested or loaned. A new D.C. Economic Development Corporation (EDC) would be created and given the authority to allocate these credits. The EDC would drive deals and spur development by getting investors and lenders to compete for the credits. The EDC would base its decisions on such factors as the likelihood of success of the venture, its contribution to D.C.'s revitalization, the provision of jobs for low and moderate income residents, and whether the business is located in a distressed area. This allocated tax credit represents an innovative new approach, similar in design structure to the equity incentive for community development financial institutions that you proposed last August.

Additional Expensing. To bolster small businesses in the District, the plan proposes a roughly $20 million tax incentive, to permit eligible small businesses in distressed areas to deduct up to $20,000 in additional expenses per year for certain equipment costs. The expensing provision is similar to, but less restrictive than, that contained in the Empowerment Zone legislation.

Private Activity Bonds. The EDC would also be given the authority to issue a new, broader category of tax-exempt private activity bonds to finance businesses located in distressed areas in D.C. Eligible businesses, including commercial and retail facilities, must be located in census tracts with a poverty rate of at least 15 percent, and have a workforce at least 35 percent of which is made up of District residents. Again, this provision is similar to, but less restrictive, than that found in the Empowerment Zone legislation.

Economic Development Corporation. Your plan would create a new Economic Development Corporation (EDC), a non-federal corporation, as an instrumentality of the D.C. government. The EDC would be governed by a nine member Board of Directors, seven of whom would be appointed by you. The Mayor would appoint one member, and the D.C. Financial Authority the remaining member. A majority of the Board will be drawn from private sector business and community leadership. The EDC would be run by a Chief Executive Officer and served by a professional staff. One member of the EDC Board would also serve on the Board of the National Capital Infrastructure Authority.

Building on work done by a number of District groups, the EDC would develop an economic development strategy for D.C., coordinate the implementation of large-scale development projects, support efforts to create jobs and business opportunities for distressed neighborhoods and low-income District residents, and connect D.C. development efforts to regional growth.

The EDC would be capitalized by the federal government with a one-time investment of $50 million. The EDC would use these funds for planning, project development, and operating costs. Of this amount, $20 million would be available for funding innovative job strategies by D.C. nonprofits, in a similar manner to the way in which the D.C. Jobs Credit is available to for-profit entities. The federal government would also transfer ownership interests or development rights to certain parcels of land to the EDC.

The EDC would be given the authority to spur development with federal tax credits for loans and investment and new tax-exempt private activity bonds, and would have the authority to finance projects in the market by issuing project revenue bonds. The EDC would also have a number of other important powers, including the right to exercise eminent domain, the ability to seek expedited review by the D.C. government of development projects, and the ability to acquire and dispose of land. As part of the Memorandum of Understanding with the Federal government, the District government will commit to achieve reforms with respect to permitting, licensing and zoning and to cooperate fully with the EDC.

Challenge Committee. We suggest that at Tuesday's announcement, you call on business and community leaders to form a Challenge Committee to bring the D.C. and regional community together behind your plan and to build the consensus necessary to make the new Economic Development Corporation work effectively. The Committee would report back to you in 60 days on their progress. The Booster Committee was conceived so that progress may be made toward implementing your D.C. plan even before the legislation is passed and the EDC up and running.

THE PRESIDENT HAS SEEN
3-10-97

- **Yellowstone Bison:** Secretary Babbitt and Secretary Glickman signed a letter to Governor Racicot outlining objectives agreed upon by DOI and USDA. The short term objective is to avoid additional killing of bison during the balance of the 1996-97 winter season. A long-term solution depends upon three components: supplemental winter range; herd management through appropriate measures; and eliminating brucellosis from the bison herd. DOI and USDA proposed to work with MT to meet the original July 31, 1997, deadline to issue the draft environmental impact statement (EIS). The Governor pledged the state's cooperation on the EIS. DOI is working with the National Academy of Sciences to initiate a study of this issue. Key scientific questions must be addressed before a long-term solution can be devised. Currently, about half of the bison and about 1.5 percent of the elk have been infected.

- **Bureau of Land Management (BLM) Golden Partnership Projects:** This week, BLM announced the selection of 40 Golden Partnership projects to receive funding this fiscal year. Spanning the western U.S. from AK to NM, these projects will improve fish and wildlife habitat and enhance recreational opportunities. These projects involve substantial support and commitment from the local communities and local chapters of the partnering organization through volunteer assistance, in-kind contributions, or matching funds.

SB/
Bill Bates
Has problem
to see -
Advise
BG

- **ISTEA and Navajo Reservation:** The Indian Reservation Roads Program (IRRP) on the Navajo reservation is proposed to be funded in the ISTEA re-authorization at $125 million for the next six years. This amounts to a 35% cut, greater than any other program in the Federal Lands Highways Program. The proposed funding in the re-authorization would keep the roads on the Navajo Reservation in their present condition only into the next century.

- **Secretary's Schedule:** On March 12-13, the Secretary will continue his van tours across the U.S. to highlight local community involvement in environmental restoration. On March 12, he will travel to Charleston, SC, and Savannah, GA. In Charleston, the Secretary will fish with local community activists who have spear-headed a remarkable restoration of the Cooper River. In Savannah, GA, the Secretary will again go fishing with some local community leaders who were active in restoring fisheries and fish habitat on the Savannah River. On March 13, he will tour the Village Creek in Atlanta, GA, a restored watershed area located in a minority neighborhood. The Secretary will then travel to Birmingham, AL, where he will tour another community watershed area that is in the initial stages of being restored.

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE

WASHINGTON

Send to E. Bowle

March 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: **KITTY HIGGINS**

SUBJECT: **Summary of Cabinet Weekly Reports**
February 28 - March 7, 1997

DEPARTMENT OF TREASURY

- **Russia:** On March 13-14, Deputy Secretary Summers and other senior Administration officials will meet with Prime Minister Chernomyrdin and his economic team in Moscow to discuss Russia's economic reform priorities for 1997 and prepare for the Helsinki Summit. The delegation will also focus on tax policy and administration to increase the effectiveness of existing tax technical assistance and to press for essential access and cooperation from Russian authorities.

- **Bank Enterprise Award Program:** On March 7, the CDFI program published an invitation for banks to apply for a new round of BEA grants. The BEA Program is intended to encourage insured depository institutions to invest in and support community development financial institutions.

- **Child Support:** On February 25-26, a Task Force from the Financial Management Service (FMS), HHS, and the states held a two-day work session to identify issues that must be resolved in order for child support debts to be withheld from federal payments such as benefits or salaries. On March 11, the Task Force will contact the states which have indicated a readiness to participate. HHS regional offices will work with the states to assist with resolving barriers to implementation.

- **Education Tax Cuts:** On March 4, Assistant Secretary Lubick testified on March 5 before the full House Ways and Means Committee. There was an exchange between Chairman Archer and Lubick on the sunset provisions, with the Chairman's charge that the Administration does not have tax cuts beyond 2000. In general, there was not much enthusiasm for education tax cut proposals.

- **IRS Restructuring:** On February 26-26, the National Commission on Restructuring the IRS met to discuss taxpayer rights, governance and the year 2000. In response to questions by Grover Norquist, President of Americans for Tax Reform, regarding how the IRS selects non-profit groups for audit, Commissioner Richardson released a letter offering to release confidential tax return information to Congress in order to challenge "inaccurate and misleading" news reports about its alleged politically motivated audits of tax-exempt organizations.

- **CDFI Fund Hearing:** On March 12, Director Moy will testify before the House VA-HUD Subcommittee to discuss the CDFI Fund's FY98 appropriations request.

- **Secretary's Schedule:**
  - March 11 - Testify before the House Budget Committee on the Administation's Budget. Attend your announcement of the proposed D.C. Economic Development Corporation. Meet with Sen. Kerrey and Rep. Portman regarding IRS issues.
  - March 13 - Meet with Chairman Greenspan. Meet with Rep. Jefferson regarding tax issues.

DEPARTMENT OF JUSTICE

- **Operation LABSCAM:** On February 24, the U.S. and over 40 state Medicaid programs obtained $325 million from SmithKline Beecham Clinical Laboratories to settle a range of allegations involving the marketing and billing of medical lab tests, including kickbacks, billing for tests not performed, and fabrication of diagnosis codes that doctors are required to provide. This is the latest of a series of settlements arising from this operation; total civil recoveries and criminal fines are now $631 million.

- **Maritime Salvage Award:** Margate Shipping Co. v. M/V J.A. Orgeron. On March 4, the U.S. filed its opening brief in this maritime salvage award case. An oil tanker rendered assistance during a storm off the coast of FL to a government-owned barge containing an external fuel tank for the Space Shuttle. Under maritime law, the owners and crew of the tanker are entitled to receive some award from the government for saving the barge and its cargo from peril. The district court bestowed an award of $6.5 million, ten times higher than the highest salvage award in U.S. maritime history. On appeal, DOJ argued that the award is excessive because the district court erroneously assessed the value of the fuel tank and failed properly to take into account the fact that the tanker risked catastrophic pollution of the FL coastline.

- **Operation "El Cid":** On February 25, in the Western District of VA, two indictments were unsealed in two cases related to Operation "El Cid," which involved the long term covert penetration of the Cali Cartel. Using an undercover money laundering operation, two cooperating witnesses were able to establish and sustain contact with Cali Cartel leaders and their high-level financial associates. One indictment involved a conspiracy to import in excess of 4,000 kilograms of cocaine into the U.S. from Colombia.

- **OH Tax Fraud:** The President of the National Association of Basketball Referees (NABR), Michael F. Mathis, was charged with five counts of tax fraud. Mathis, an NBA referee living in Cincinnati, OH, was charged with failing to report income he received by accepting reimbursement from the NBA for airline tickets which were more than the cost of the tickets he actually used. Mathis was charged with failing to report approximately $69,000 in taxable income from 1989 through 1992.

- **Immigration Litigation:** TX v. U.S., (February 28) TX brought this suit alleging that it had incurred billions of dollars in costs as a result of the federal government's failure to control illegal immigration. TX contended that the federal government's conduct had violated several constitutional provisions and that the Attorney General had failed to implement immigration statutes. The court of appeals affirmed dismissal of the claims, holding that claims under the Naturalization and Guarantee Clauses were without merit.

- **"Hispanic Appearance" Discrimination Class Action:** Cedillo-Perez, et al. v. Adams, et al. On February 21, a final settlement in this class action, alleging discriminatory law enforcement premised on "Hispanic appearance," was reached. Plaintiffs sought injunctive relief based on a March 1994 immigration operation conducted by INS agents and local police officers in Katy, TX. The settlement, negotiated over two years by the Community Relations Service (CRS), requires the Government to (1) pay $5,000 in costs, (2) schedule eight hours of constitutional law training of Houston INS agents by CRS or another agreed-on group, and (3) print 250 copies of a "know your rights" statement, approved by the INS and available in the Houston INS district office. The plaintiff class waived attorney fees and agreed to a dismissal with prejudice. The settlement will remain effective for two years.

- **Crime Bill Provisions on Police Misconduct:** On February 26, DOJ and Pittsburgh, PA, entered into an agreement that resolves a ten-month federal investigation into allegations that the city's police department had engaged in a pattern of misconduct violating the constitutional and civil rights of individuals. The agreement requires the city to implement new training and oversight measures and new reporting requirements for use of force and traffic stops. The agreement marks the first decree pursuant to the provision of the 1994 crime bill that permits DOJ to investigate patterns of alleged police misconduct.

- **Secretary's Schedule:** On March 12, the Attorney General will testify before the Senate Appropriations Committee.

- **Media Inquiry:** The *New York Times* is working on a story about drug smuggling in Mexico.

- **FOIA Requests:**
  - A *Washington Post* request for "any records of contacts between Don Fowler of the Democratic National Committee, or Marvin Rosen of the DNC" and DOJ from January 1, 1995 to November 5, 1996.
  - A request from Neil Welch of Akin, Gump & Strauss,for records pertaining to DOJ investigations into discrimination against Hispanic police officers of the Washington Metropolitan Police Department.
  - A request from Neal Sher, who headed the Office of Special Investigations in Criminal Division in the mid-1980s, for documents regarding the deportation of Karl Linnas, a Nazi persecutor, who was deported from the U.S. in 1987.

DEPARTMENT OF COMMERCE

- **Secretary's Testimony:** On March 11, the Secretary will testify briefly at a hearing before the Senate Government Affairs Committee on Census issues. He then testifies before the House Appropriations Committee. On March 13, the Secretary testifies before the Senate Appropriations Committee.

- **US-Israel Technology Event:** On March 10, Under Secretary for Technology Good will speak at a technology demonstration at the U.S. Space and Rocket Center hosted by the U.S.-Israel Science and Technology Commission, in cooperation with McDonnell Douglas. The event, in Huntsville, AL, will highlight a new U.S.-Israeli joint venture to develop a high efficiency solar power generating system.

- **Alleged Violations of the Antiboycott Regulations:** On February 27, a settlement was reached with the U.S. Air Force, an Air Force officer, DOJ and one of its employees, and an Arlington, VA, government contractor, CACI Inc.-Commercial, and one of its employees, to settle allegations of violations of the antiboycott provisions of BXA regulations. The allegations were that the individuals and entities agreed to exclude Jews and persons with Jewish surnames from participation in microfilming in support of litigation for DOJ and the Air Force in Saudi Arabia. At least one U.S. person was refused a place on the microfilming team based on religion or national origin.

THE PRESIDENT HAS SEEN
3-10-97

- **Trade Mission to Oman and Saudi Arabia:** On March 7-14, ITA's Trade Development office is supporting a trade mission to Oman and Saudi Arabia hosted by the National U.S.-Arab Chamber of Commerce. At least two environmental technology firms will participate in the mission. The total value of the environmental technology market for American firms in these countries exceeds $3 billion.

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

Wholesale Trade (January)	March 11
U.S. International Transactions (4th Q)	March 13
Advance Retail Sales (February)	March 13
Manufacturing and Trade: Inventories and Sales (January)	March 14
Housing Starts and Building Permits (February)	March 18
U.S. International Trade in Goods and Services (January)	March 20

- **ITA Success Stories:**
  - GE Information Services (GEIS) of Rockville, MD, has announced a multimillion dollar joint venture in Morocco using U.S. electronic information and business systems that will provide the local market with U.S. state of the art electronic business services, and will opens Moroccan doors to 40,000 trading partners.
  - AES Inc.'s consortium overcame a potential Japanese protest to receive $70 million in International Development Bank financing for its $500 million thermonuclear Merida III project in Mexico.

- **MBDA Success Stories:**
  - The Nassau-Suffolk Minority Business Development Center (MBDC) assisted American Scholar, Inc., an office supplies manufacturer, in Bayshore, NY, in securing procurement contracts totaling $243,000 from several national department store chains.
  - The Milwaukee MBDC assisted Food America International, Inc., a new distributor, in procuring an award for $689,920 to supply chicken wings for export.
  - The Little Rock MBDC assisted Davis Petroleum in Little Rock, AR, in obtaining several projects from the Corps of Engineers, Elemendorf Air Force Base in Northbrook, IL, EPA, and others. As a result of these projects, the distribution of chemical and petroleum products has produced $2.1 million in gross sales.

- **Gulf States Fisheries:** DOC is expected to clear a notice establishing a Gulf of Mexico Sustainable Fisheries Program that provides $10 million in fishery disaster assistance to the five Gulf states fisheries resource agencies for projects or other measures designed to alleviate the long-term effects of fishery resource disasters.

THE PRESIDENT HAS SEEN
3-10-97

- **Census 2000:** On March 11, the Senate Committee on Government Affairs will hold a general oversight hearing on Census 2000. Secretary Daley, Under Secretary Everett Ehrlich and Director Martha Riche will testify, along with panels of demographers and data users. On March 10, the Congressional Black Caucus will be briefed by senior Economics and Statistics Administration and Census staff on the Census 2000 plan.

- **Secretary's Schedule:** The Secretary will participate in the following events:
  - March 11 - Testify before the Senate Government Affairs Committee.
    Testify before the House Appropriations Committee.
  - March 13 - Testify before the Senate Appropriations Committee.

DEPARTMENT OF LABOR

- **AR Workers Assistance:** On March 4, DOL announced that it was prepared to provide emergency assistance for dislocated workers in AR. On March 5, the state requested $2 million to fund 600 temporary jobs for clean-up and repair. One-third of the requested amount will be disbursed immediately while the request is evaluated.

- **American Airlines:** On February 27 and March 4, American Airlines and the Allied Pilots Association held two days of presentations before the Presidential Emergency Board. On March 5, the final scheduled day of hearings, the two sides offered summations. The Board's report is due to you on March 17.

- **Statistics Releases:** On March 11, the Bureau of Labor Statistics will release revised productivity data for the fourth quarter of 1996. On March 13, the Bureau will publish the monthly State and Metropolitan Area Employment and Unemployment numbers for January. On March 14, the Bureau will release the Producer Price Index for February.

- **ETA Grants:** This week, DOL's Employment and Training Administration announced two grants to serve workers in WA. The grants, totaling nearly $5 million, will serve workers dislocated from Stokely-USA and ITT/Rayonier by of plant closures and corporate restructuring. The grants are authorized under the Job Training Partnership Act.

- **OSHA Citations:** On February 28, the Occupational Safety and Health Administration(OSHA) issued Notices of Alleged Violations to the USDA Food Safety and Inspection Services at the B.C. Rogers Processors, a poultry processor in Morton, MS. If assessed on a private company, the citations would carry a total proposed penalty of $355,000.

- **The TEAM Act:** On March 5, the Senate Labor and Human Resources Committee continued its mark-up on the TEAM Act. The lengthy mark-up has prevented the committee from considering compensatory time legislation. DOL has delivered letters to the committee stating the Administration's intent to veto both bills as currently written. On March 5, the House Education and the Workforce Committee marked up its version of the compensatory time legislation.

- **Collective Bargaining Update:**
  - **United Airlines:** On March 3, the Airline Pilots Association and the International Association of Machinists reached tentative agreements with United on a revised package of wage adjustments. On March 1, the Association of Flight Attendants engaged in informational picketing at airports in Des Moines, IA, Los Angeles, CA, New York (LaGuardia), NY, and Sacramento, CA, to protest the slow pace of negotiations with United. The activity coincided with the one-year anniversary of the expiration of the workers' contracts.
  - **Weirton Steel:** On February 27, Weirton Steel and the Independent Steelworkers Union reached a tentative agreement on a four and one-half year contract to replace the one that expired September 25, 1996. No details are available on the agreement.
  - **Pemco Aeroplex:** On February 25-27, representatives of Pemco Aeroplex and the United Auto Workers (Local 1155) met in Washington, D.C., at the request of Federal Mediation and Conciliation Services Director Wells. The meeting was called in an effort to settle a seven-month strike by more than 900 workers at the company's facility in Birmingham, AL.

- **Job Training Hearing:** On March 11, the Senate Labor and Human Resources Subcommittee on Employment and Training will hold a hearing on employment and training issues.

- **CPI Testimony:** On March 12, Commissioner of the Bureau of Labor Statistics Abraham will testify before the House Budget Committee concerning the Consumer Price Index measurements.

DEPARTMENT OF TRANSPORTATION

- **Secretary Travels to Selma:** On March 9, Secretary Slater will travel to Selma, AL, to participate in the Voting Rights March Jubilee Celebration. He will make remarks concerning the Selma-Montgomery National Historical Trail/All American Highway, designated earlier this year under an MOU signed by DOT and DOI.

- **Rosa Parks:** On March 12, Secretary Slater join Reverend Joseph Lowery to make brief remarks at an APTA event in Washington, D.C. which will honor Rosa Parks. Mrs. Parks will be presented the Associations first ever Lifetime Achievement Award.

- **National League of Cities:** On March 10, Secretary Slater will participate on a panel to discuss Federalism in Transition. Senator Kempthorne and Congressman Moran are the other panelists.

- **ISTEA:** Secretary Slater is preparing a roll out of the Administration's ISTEA Reauthorization proposal. The title for the bill is National Economic Crossroads Efficiency Act. The rollout will include a trade press brief at DOT on March 12, a briefing for DOT Stakeholders on March 13, and a 1-day amplification trip by Secretary Slater on March 14 to a city to be determined.

- **Minor Accident at Cleveland Airport:** On March 5, an American Airlines MD-80 landed at Cleveland Hopkins Airport and skidded off the runway. During the skid, the right landing gear collapsed and fuel was spilled from the right wing. Passengers were evacuated via the emergency exit slides and there were three minor injuries in the course of the evacuation. The weather was bad at the time of the incident, and may have been a factor. The FAA is working with the NTSB to determine the cause of this accident.

- **National Civil Aviation Review Commission Announcement:** Early next week, Secretary Slater will likely announce the members of the National Civil Aviation Review Commission. This commission was established by Congress in legislation last year and is charged with reviewing FAA financing and safety.

- **Storm Damage:** Tornados and widespread flooding have caused extensive damage throughout the AR, OH, KY,TN and WV areas. There have been interruptions to all modes of transportation. Current high water levels have prevented damage assessment, but initial ER estimates for KY and OH are $15 million and are expected to increase. The current FHWA unallocated balance of ER funds is about $3 million. FHWA has an additional request from CA and WA for an additional $75 million allocation due to flooding, but it has not been processed due to lack of funds. Coast Guard units in the Ohio and Illinois River regions continue to support state and local officials with flood relief coordination and rescue operations.

- **Aviation Disaster Task Force:** On March 5, Secretary Slater announced the formation of a Task Force to assist families whose members are involved in aviation accidents. The task force was mandated by the Aviation Disaster Family Assistance Act of 1996, and is required to submit recommendations concerning treatment of families by the media and legal communities by August 9.

- **Conrail Merger:** Meetings between CSX and Norfolk Southern over how to divide up Conrail have produced an agreement that CSX will acquire Conrail and divest roughly half of it to Norfolk Southern, including tracks from the South and Midwest into New York City, and perhaps other Northeast points currently served only by Conrail. The Conrail board of directors met March 3 to approve the agreement. On March 7, CSX Chairman Snow is scheduled to meet with Secretary Slater, with this issue on the agenda.

- **Domestic Passenger Manifest Rulemaking:** DOT will issue an ANPRM to determine what requirements should be placed on airline's passenger manifests. This rule was recommended by the White House Commission on Aviation Safety and Security. The ANPRM is expected to be published by March 12.

- **Children's Environmental Health and Safety Initiative:** DOT provided HHS with a statement on environmental hazards children face as travelers, pedestrians, and bicyclists linked to injuries and deaths from transportation-related accidents. This interagency committee will coordinate and raise child health-safety protection to a top priority and ensure responses to a pending Executive Order. It will report in six months on agency child project inventories and develop policy recommendations on special environmental needs of children.

- **Government Performance and Results Act (GPRA):** The March 3 issue of *U.S. News and World Report* spotlighted the Coast Guard's success with GPRA in reducing the fatality rate in tug accidents by 2/3 over the past 5 years; from 91 to 27. The article noted that the Coast Guard isolated human error and training as the main factors in high death rates, and worked with industry to reverse those problems.

- **U.S.-Taiwan Open Skies:** On February 28, the American Institute in Taiwan and the Daipei Economic Cultural Representative Office agreed on the text of an open skies aviation regime to permit the airlines of Taiwan and the U.S. to operate U.S.-Taiwan air services without restriction. The agreement is similar to those signed by the U.S. with 12 European countries.

- **Japan:** High-level exploratory talks aimed at determining whether a basis exists for resuming passenger negotiations are now taking place in Washington, D.C.

- **FAA Web Site:** On February 28, the FAA announced improvements to its web site to permit the public to more easily obtain information about airline safety. In the coming weeks, airline activity information, quarterly summaries of civil fines, statistics on near mid-air collisions and basic information on U.S. carriers will be added.

- **ISTEA:** The Surface Transportation Subcommittee of the House Transportation and Infrastructure Committee will hear testimony from Members of Congress at ISTEA reauthorization hearings scheduled for March 4, March 6, March 11 and March 13. At the March 4 hearing, 13 Members and other local officials testified in support of 15 specific ISTEA projects. The Senate Environment and Public Works Committee plans to hold the following hearings on ISTEA: March 13 on flexibility and eligibility, March 19 on environment and planning, and early April on transportation safety and truck safety.

- **Drug Interdiction:** On March 10, the House Subcommittee on National Security, International Affairs, and Criminal Justice will hold a hearing on Operation Frontier Shield, the Coast Guard's major drug interdiction operation around Puerto Rico. The Commandant of the Coast Guard, Admiral Kramek, will testify along with other Coast Guard personnel.

- **Amtrak:** On March 12, the House Transportation and Infrastructure Subcommittee on Railroads will hold a hearing on Amtrak's financial situation.

- **Secretary's Schedule:** The Secretary will participate in the following events:
  - March 7 - Address the National Conference of State Legislatures in Washington, D.C.
  - March 9 - Participate in an event in Alabama commemorating the Montgomery to Selma Civil Rights March.
  - March 10 - Address the American Public Transit Association in Washington, D.C.
  - March 12 - Address the New England Council in Washington, D.C.
    Attend an event honoring Rosa Parks in Washington, D.C.
  - March 13 - Address the American Road and Transportation Builders Association in Washington, D.C.

- **Media Inquiries:**
  - The *Washington Times* requested information regarding any investigation into DME Corporation and former Secretary Peña.
  - *NBC* is preparing a four-part series on aviation safety that will air the week of March 10. One segment will be on aviation security.
  - *Jim Lehrer Newshour* may do a story on the upgrading of air traffic control equipment, with a focus on Chicago. Date of broadcast is not known.
  - The *Los Angeles Times* and the *Sacramento Bee*, February 28, called FHWA about a possible threat by FHWA to withhold federal aid money because CA is not in full compliance with a law on licensing of convicted drug users. Acting Administrator Garvey met with state officials and the issue is under review. CA, in a letter to Secretary Slater, asked for an extension of the deadline.
  - The *Washington Post* is pursuing an article about the use of older ATC equipment at National Airport. Inquiries are being researched at FAA.

- **FOIA Requests:** The *Cape Cod Times* requested air traffic control tapes and flight plans filed with FAA by U.S. Navy pilots on February 16 involving F-14 Tomcats flying at low altitude over the Cape Cod towns of Eastham and Orleans on February 15-16.

UNITED STATES TRADE REPRESENTATIVE

- **Barshefsky Confirmation:** On March 5, the Senate approved the nomination of Ambassador Barshefsky by a vote of 99-1. The Senate passed the waiver necessary to allow Ambassador Barshefsky to assume the position by a vote of 98-2. An amendment to the waiver offered by Senator Hollings failed by a vote of 84-16. The amendment would have required Congress to pass all trade agreements negotiated under the auspices of the WTO. The House must now pass the waiver.

- **Japan Garages:** On March 3, Ambassador Barshefsky and Secretary Daley issued a joint press release welcoming the Japanese government's action approving the creation of two new types of automotive repair facilities providing greater access for U.S. auto parts into the Japanese market, but stressed the importance of further measures to deregulate and open the Japanese auto parts market.

- **Japan Semiconductors:** On March 6, Ambassador Barshefsky announced that the foreign share of Japan's semiconductor market rose nearly 1 percent in the third quarter of 1996, reversing the decline experienced in the first half of 1996. The 27.2 percent foreign share reached in the third quarter of 1996 was the second highest recorded, although still well below the record 29.6 percent reached in the last quarter of 1995. On August 2, 1996, the U.S. and Japan reached a new agreement on semiconductors which encourages continued progress on market access and industry cooperation to solidify the gains of recent years.

- **China WTO Accession:** This week, a U.S. interagency delegation led by AUSTR Sands is in Geneva conducting bilateral negotiations on China's WTO accession, as well as participating in formal meetings of the Working Party on China's accession. From Geneva, AUSTR Sands will continue on to Hong Kong and Beijing where he will meet with government and industry leaders to gather information in connection with China's accession and other bilateral issues, including IPR.

- **Annual Report and Trade Agenda:** You are expected to submit to Congress the *1997 Trade Policy Agenda and the 1996 Annual Report of the President of the U.S. on the Trade Agreement Program.* The document underscores the importance of trade expansion to sustain U.S. leadership in the global economy and the immense impact of trade in accelerating global economic development. Prepared pursuant to the Omnibus Trade and Competitiveness Act of 1988, the document describes the Administration's trade policy priorities for the year ahead and reviews the principal trade policy actions and accomplishments of 1996.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Obesity:** A growing number of U.S. children, adolescents, and adults are overweight, according to an article published in *Morbidity and Mortality Weekly Report* on March 6. Approximately 14 percent of children ages 6-11, 12 percent of adolescents ages 12-17, and 35 percent of adult ages 20 and over are overweight. This data reveals a significant increase in all age groups. The third National Health and Nutrition Examination Survey, upon which this analysis is based, was conducted by the CDC's National Center for Health Statistics from 1988-1994.

- **Child Support Incentives:** On March 7, HHS submitted its plan to Congress on new incentives for states to improve child support collections. The new incentive funding system, based upon five criteria, is intended to measure the true performance of states' child support programs more accurately than the current system, which is based solely on the cost effectiveness of enforcement programs.

- **Teen Drug Prevention Guide:** On March 6, the National Institute on Drug Abuse released the first research-based guide to prevent young people from using drugs. An initial printing of more that 100,000 copies will be distributed to schools and community groups nationwide during the coming months. The guide is organized around 14 prevention principles distilled from research on effective prevention techniques.

- **AIDS Vaccine Research Program:** On March 4, the National Institute of Allergy and Infectious Diseases unveiled the INNOVATION Grant Program for Approaches in HIV Vaccine Research, a new initiative designed to speed the pace of AIDS vaccine discovery and development. On March 7, an announcement requesting applications under the new program as published in the *NIH Guide to Grants and Contracts*.

- **Bioethics Advisory Commission:** On March 13-14, the National Bioethics Advisory Commission, will begin its exploration of the ethical issues associated with the recent successful cloning of a sheep. On March 14, the commission will hear public comment.

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- **Poverty Guidelines Update:** On March 10, HHS will publish a routine update of the poverty guidelines in the *Federal Register*. The guidelines are used as an eligibility criterion by several dozen HHS and non-HHS federal programs and by some non-federal programs. Secretary Shalala is required by law to update the guidelines at least once a year to reflect increases in the Consumer Price Index.

- **Congressional Visit to NIH:** On March 17, Members and staff of the House Commerce Subcommittee on Health and Environment will visit the NIH campus. Members and their staff will meet with NIH Director Varmus and other NIH scientists.

- **Medicaid:** On March 11, the Senate Finance Committee will hold a hearing on the perspective of state governors regarding the Medicaid program. The House Commerce Committee will also hold a hearing on this issue.

- **Medical Education:** On March 11, the House Ways and Means Subcommittee on Health will hold a hearing on Medicare payment for graduate medical education and disproportionate share hospitals. HCFA Administrator Vladeck will testify. On March 12, Mr. Vladeck will testify before the Senate Finance Committee on the same issue.

- **Late-Term Abortions:** On March 11, the House Judiciary Subcommittee on the Constitution and the Senate Judiciary Committee will hold a joint hearing on the issue of late-term abortions. No HHS witness has been invited to testify.

- **Cloning:** On March 12, the Senate Labor and Human Resources Subcommittee on Public Health and Safety will hold a hearing on the implications for public policy created by scientific advances in cloning. NIH Director Varmus will testify.

- **FDA Restructuring:** On March 19, the Senate Labor and Human Resources Committee will hold a hearing on proposals to restructure the FDA. Deputy Commissioner Friedman will testify for the Department.

- **Media Activities:**
  - In this month's *Nature Genetics*, researchers report that they have found the first gene linked to one of the most common forms of juvenile macular degeneration, Stargardt's disease. The scientists say the gene opens the door for genetic testing that should help affected families obtain a faster and more reliable diagnosis of the disease. By identifying the defects that trigger this disorder, the authors say scientists eventually may gain the knowledge to devise the first molecular treatments to slow or alter the course of this blinding disease.
  - In the March 5 issue of the *Journal of the American Medical Association*, researchers report on a new study showing that seven conditions -- stroke, hip fracture, congestive heart failure, pneumonia, coronary heart disease, diabetes,

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and dehydration -- are responsible for a large proportion of severe disability in older people. Researchers say targeting these conditions for intensive treatment and rehabilitation could help reduce disability among a substantial number of older people and improve their ability to function independently.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Recertification of EZs/ECs:** This week, Secretary Cuomo released a report and contacted local officials to review the progress of HUD's 72 Empowerment Zones and Enterprise Communities. Six communities received letters of concern from HUD regarding the program: the Empowerment Zone of Camden; the enhanced Enterprise Community of Oakland; and the Enterprise Communities of Denver, Pittsburgh, Ouachita Parish, LA, and Newburgh/Kingston, NY. The letter indicates that HUD found obstacles to the implementation of the EZ/EC plans. HUD will work with the city to improve progress, but without improvement, the city's EZ/EC designation could be at risk.

- **New Home Sales:** Buyers took advantage of great weather in the Northeast and South to snap up new homes. The seasonally adjusted annual rate of 870,000 in January is an 8.6 percent increase from December and the highest level since March 1986.

- **Fort Smith, AR, Coalition Collapse:** A HUD team will review the Community Coalition Corp., a group of local banks and housing rehabilitation organizations in Fort Smith, AR. The Coalition received over $300,000 of HUD HOME funds, but three of the four partners subsequently dropped out of the organization.

- **D.C. Shelter:** The U.S. Court of Appeals for the D.C. Circuit ruled that District residents have no constitutional right to emergency housing. The 2-1 decision means the city can allot limited shelter spaces as it sees fit.

- **LA Housing Renovation:** The City of New Orleans owes HUD $6.3 million in reimbursement for improper expenditures on a housing renovation program under the previous city administration. After rules changes and reforms, HUD still supports the city renovation program, and will provide $6.1 million this year.

- **MN Builder Fined:** In the first action of its kind, HUD fined a MN builder for falsely certifying that its homes met federal guidelines regarding access for the disabled. The $10,000 fine is the first for such a false certification, and also the first time HUD required repairs to increase accessibility as a condition of continued participation in HUD programs.

- **IL Public Housing Shooting:** The troubled Cabrini-Green public housing development faced an outburst of violence and gunfire this week after an Chicago Housing Authority police officer shot an unarmed resident. The officer claimed his gun went off during a struggle with an unruly crowd during a drug bust, in which the office was injured. Some residents claimed the officer fired his gun into the crowd, striking a young women. In the aftermath of the shooting, a sniper fired at police from a Cabrini high-rise.

- **Community Development Report:** A new HUD report entitled *University-Community Partnerships: Current Practices* outlines 225 initiatives that combine local schools with local officials and organizations to work on community development ideas. Possible initiatives include a one-stop employment center developed by the University of Colorado at Denver, and a literacy interaction program for children organized by Salve Regina University and the NYNEX Foundation in Rhode Island.

- **Human Rights Commission Criticizes, Praises St. Petersburg:** After testimony about racial conditions in St. Petersburg, the regional director of the U.S. Commission on Civil Rights Bobby Doctor noted that the city suffers from institutional racism that hurts minority residents. The Commission report will help the Federal Interagency Task Force on St. Petersburg in its efforts to improve racial relations and economic opportunities.

VETERANS AFFAIRS

- **Veterans Resource Allocation Plan:** In January, VA announced its plan for a more equitable distribution of health care funds among the States, known as Veterans Equitable Resource Allocation (VERA). On February 26, Chairman Specter expressed his displeasure with this at the Senate Veterans' Affairs Committee budget hearing. Other members have voiced similar concerns. Within the next few days, VA plans to transmit to Congress its final VERA plan for FY97.

- **IL Clinical Services in Consolidation:** Planning is continuing for the possible consolidation of some clinical services at two Chicago, IL, facilities -- the Westside VA Medical Center (VAC) and Lakeside VAC that are only six miles apart and serve the same population. This is being done openly and with the participation of all stakeholders. Nevertheless, the University of Illinois at Chicago School of Medicine fears a diminution of the inpatient training opportunities VA provides for its medical residents, and has registered opposition. On February 26, Secretary Brown met with Senator Durbin and other members of the IL Congressional delegation to discuss the process.

- **Sexual Harassment:** Both Veterans' Affairs Committees have expressed concerns that our punishment of managers accused of sexual harassment has been insufficient. On March 7, VA briefed the Senate Committee staff. VA will brief the House on this issue.

- **Reinventing Government:** VA has brought about three new health care systems in TX, AL and IL, through the consolidation of medical center management, patient services and computer systems at six existing facilities. The medical centers at Dallas and Bonham, TX, integrated to become VA North Texas Health Care System; the medical centers at Chicago Lakeside and Westside, IL, integrated to become VA Chicago Health Care System; and the medical centers at Tuskegee, AL, and Montgomery, AL, integrated to become VA Central Alabama Health Care System. The Department has now successfully integrated 30 medical centers to create 14 new health care systems. New integrations planned for the remainder of 1997 include the formation of the VA Southern CA Systems of Clinics from the integration of the Sepulveda, CA, VA Medical Center with the Los Angeles, CA, Outpatient Clinic, and the integration of the Des Moines, IA, VA Medical Center with the Knoxville, IA, VA Medical Center.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Colombia Certification Denial:** Colombia's reaction to being denied certification has been negative. President Samper's public reaction has been one of indignation while Foreign Minister Mejia has suggested a reassessment of Colombian counternarcotics cooperation with the U.S. Recent reports suggest that President Samper has ordered a suspension of the Colombian coca eradication program, although the opium eradication program is proceeding.

- **Southwest Border:** In April, ONDCP will initiate a series of interagency meetings to develop a framework with a supporting intelligence architecture for better organizing counterdrug activities directed toward the Southwest border. The framework and architecture should be completed by the end of 1997.

- **Director's Schedule:** On March 12, Director McCaffrey will testify before the Senate Committee on Foreign Relations Subcommittee on Western Hemisphere and Peace Corps.

DEPARTMENT OF INTERIOR

- **Gulf of Mexico Oil and Gas Leases:** On March 5, the Minerals Management Service held a record breaking sale of offshore oil and natural gas leases in the Central Gulf of Mexico, attracting $824,055,489 in high bids from 81 companies. The high bid on a block will go through an evaluation process to ensure that taxpayers receive fair market value before a lease is awarded.

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- **Yellowstone Bison:** Secretary Babbitt and Secretary Glickman signed a letter to Governor Racicot outlining objectives agreed upon by DOI and USDA. The short term objective is to avoid additional killing of bison during the balance of the 1996-97 winter season. A long-term solution depends upon three components: supplemental winter range; herd management through appropriate measures; and eliminating brucellosis from the bison herd. DOI and USDA proposed to work with MT to meet the original July 31, 1997, deadline to issue the draft environmental impact statement (EIS). The Governor pledged the state's cooperation on the EIS. DOI is working with the National Academy of Sciences to initiate a study of this issue. Key scientific questions must be addressed before a long-term solution can be devised. Currently, about half of the bison and about 1.5 percent of the elk have been infected.

- **Bureau of Land Management (BLM) Golden Partnership Projects:** This week, BLM announced the selection of 40 Golden Partnership projects to receive funding this fiscal year. Spanning the western U.S. from AK to NM, these projects will improve fish and wildlife habitat and enhance recreational opportunities. These projects involve substantial support and commitment from the local communities and local chapters of the partnering organization through volunteer assistance, in-kind contributions, or matching funds.

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- **ISTEA and Navajo Reservation:** The Indian Reservation Roads Program (IRRP) on the Navajo reservation is proposed to be funded in the ISTEA re-authorization at $125 million for the next six years. This amounts to a 35% cut, greater than any other program in the Federal Lands Highways Program. The proposed funding in the re-authorization would keep the roads on the Navajo Reservation in their present condition only into the next century.

- **Secretary's Schedule:** On March 12-13, the Secretary will continue his van tours across the U.S. to highlight local community involvement in environmental restoration. On March 12, he will travel to Charleston, SC, and Savannah, GA. In Charleston, the Secretary will fish with local community activists who have spear-headed a remarkable restoration of the Cooper River. In Savannah, GA, the Secretary will again go fishing with some local community leaders who were active in restoring fisheries and fish habitat on the Savannah River. On March 13, he will tour the Village Creek in Atlanta, GA, a restored watershed area located in a minority neighborhood. The Secretary will then travel to Birmingham, AL, where he will tour another community watershed area that is in the initial stages of being restored.

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UNITED STATES DEPARTMENT OF AGRICULTURE

- **AR Disaster Assistance:** USDA will provide $62,500 for Arkadelphia to remove debris, a watershed impairment and potential health hazard. USDA donated six cases of commodities for congregate meal service, and only one shelter remains open. Several mobile kitchens are serving 3,000 meals per day. USDA will issue a moratorium on loan payments for up to 180 days for borrowers who have lost employment, sustained severe property damage, or have medical expenses from the disaster.

- **Yogurt in School Lunches:** On March 6, USDA released a new regulation allowing yogurt to be served as a meat alternative in child nutrition programs, giving the school food service community additional flexibility in planning and serving meals that meet nutritional recommendations of the Dietary Guidelines for Americans. This action, while strongly supported by the American School Food Service Association, was mildly criticized by livestock interests.

- **Sun-Diamond Affiliates:** In the wake of USDA's December 13, 1996, proposed debarment of Sun-Diamond Growers of CA and affiliates stemming from the cooperative's conviction for making improper gifts to former Secretary Espy, reached compliance agreements in lieu of debarment with Diamond Walnut Growers Inc., Sun-Maid Growers of CA, Sunsweet Growers, Inc. and Valley Fig Growers. The compliance agreements require the establishment of a corporate code of business ethics and conduct as well as employee ethics training. Sun-Land Products of CA, a wholly-owned subsidiary of Sun-Diamond, is being debarred from doing business with the federal government for three years, with a possible review of the debarment length and scope in about one year.

- **Schools Food Purchases:** On March 3, Secretary Glickman announced a pilot program that will use USDA's purchasing power to buy foods for schools in SC and TX. Beginning in 1998, the pilot program will allow USDA to buy foods not usually supplied under current programs, such as individual bowl cereals and reduced-fat cheese.

- **OR Newspaper Lawsuit:** On March 5, the *Register-Guard* of Eugene, OR, settled a lawsuit against the Forest Service over the arrests of protesters and two of the paper's journalists in August 1996 at the Warner Creek logging protest site near Oakridge. Media access will not be unreasonably restricted and the newspaper will recognize the Forest Service's need to ensure the safety of people and property. The newspaper had challenged the validity of closure of a public road to the site where protesters were arrested by federal and county officers.

- **Timber Update:**
  - The week of February 24, USDA Forest Products Laboratory (FPL) personnel in Madison, WI, visited southeast AK to discuss wood products and conduct workshops for local timber operators, entrepreneurs and others interested in the potential for wood products from the Tongass National Forest in AK. The week of March 16, FPL personnel will return to the region to continue the workshops, sponsored by the Forest Service in coordination with the AK Governor's Timber Task Force. This program is of considerable interest to the AK Congressional delegation.
  - On February 25, the White River National Forest supervisor affirmed an earlier decision approving the Vail, CO, ski area expansion.

- **Food for North Korea:** On February 26, USDA's commodity office purchased 5,000 tons of corn-soy blend, nearly 21,000 tons of bagged corn and 6,600 of milled rice for North Korea. The commodities, worth $1.19 million, will be available at U.S. ports April 1.
- **Agricultural Trade Developments:**
  - On March 3, USDA projected that apple exports will be 20 percent higher above last year's level at 675,000 tons, a near-record.
  - On March 3, Secretary Glickman announced the opening of a USDA Agricultural Trade Office in Jakarta, Indonesia, the United States' 11th largest market.

- **Agricultural Markets in Review:** For the week ending February 28:

Commodity	Weekly Average Price	Change from a week ago	Change from a year ago
Wheat	$4.42/bu	-0.06	-1.17
Corn	$2.88/bu	0.08	-1.04
Soybeans	$7.85/bu	.0012	.47
Rice	$12.22/cwt	0	3.65
Cotton	$.7138/lb	1.63	-8.90
Steers	$68.51/cwt	3.52	5.54
Hogs	$50.50/cwt	1.00	2.55
Broilers	$.6068/lb	.0003	6.04
Cheese	$1.33/lb	0	-0.05

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Commodity	Weekly Average Price	Change from a week ago	Change from a year ago
Butter	$1.05/lb	0	.40

- **Native Americans:** On March 3, the first Burger King franchise to be built as the result of USDA's agreement with the Burger King Corporation and Restaurant Services, Inc. opened. The new franchise, funded with an $870,000 loan guarantee from USDA, will create 40 jobs and expand the entrepreneurial opportunities for the rural Navajo Reservation in Shiprock, NM. On March 3, a home page on the USDA Animal and Plant Health Inspection Service's (APHIS) Native American initiative to provide information on available APHIS programs, "Partnerships across Nations," was posted on the internet. This is another step USDA has taken in response to your directive to improve program delivery service to Native Americans.

- **National Performance Review:** On March 10, Secretary Glickman will announce that the Animal and Plant Health Inspection Service will consolidate its 14 regional offices into two hubs, one in Raleigh, NC, and the other in Fort Collins, CO, pending a civil rights impact study. The consolidation effort will be completed over a 2-4 year period.

- **Forest Service Chief:** On March 11, the House Resources Subcommittee on Forests and Forest Health will hold a hearing on legislation to require the advice and consent of the Senate in the appointment of the USDA Forest Service chief.

- **Secretary's Schedule:** The Secretary will participate in the following events:

March 10	Address NC Governor's Agricultural Summit, Raleigh.
March 13	Testify before the Senate Agriculture Appropriations Subcommittee on dairy pricing issues. Governor Thompson is also expected to be present.
March 18	Testify before the House Agriculture Committee on trade issues.
April 16	Testify before the Senate Agricultural Committee on trade issues.

- **Media Inquiries:**
  - *U.S. News and World Report* is working on a profile of the President's community empowerment program.
  - *Associated Press* is seeking a report or letter to USDA on the Northeast Dairy Compact.
  - USDA expects media coverage of a new book, *Deadly Feasts*, by Pulitzer prize winning author Richard Rhodes. Rhodes will begin a media tour with a March 11 *NBC Dateline* followed by a March 12 *Today*. The author claims there is unreported and unconfirmed mad cow disease in the U.S.

DEPARTMENT OF ENERGY

- **Secretary Peña Nomination:** On March 6, the Senate committee on Energy and Natural Resources voted to recommend to the full Senate confirmation of the nomination of Federico Peña to be Secretary of Energy. Action by the full Senate is expected next week.

- **NY Tritium Update:** On March 4, Assistant Secretary O'Toole returned to the Brookhaven National Laboratory on Long island, NY, to participate in a follow -up meeting with Laboratory officials, State and county officials, and others regarding the Department's efforts to remediate on-site tritium contamination in the groundwater near a Laboratory research reactor. DOE has narrowed the source of the tritium plume to the spent fuel storage pool in the reactor building, but continues to investigate. The EPA has concluded that there is no public health threat. Local media coverage has been extensive.

- **CA $1.2 Billion Contract:** At a total cost of $1.2 billion over five years, the National Ignition Facility (NIF) is the largest single DOE project- largest US science project outside of the space program. The project will create 6,000 jobs nationally and 3,000 locally during construction; 890 long-term, high tech jobs in the Bay Area; and benefit optics technology companies across the US. Located at DOE's Lawrence Livermore National Laboratory in the San Francisco Bay area, the NIF laser will be 50 times more powerful than any laser in existence today. The critical decision memo to allow NIF construction is expected to be signed by March 14. Announcement can be made when the memo is signed. Ground breaking is scheduled for April 2 or 3.

- **Heating Oil Prices:** Heating oil spot prices were lower than a week ago with heating oil in the New York Harbor down 1.85 cents per gallon to 53.83 cents on March 3. Forecasts for unseasonably warm weather combined with the expiration of the March NYMEX product futures contracts drove heating oil spot prices lower over the course of the week. The average US diesel fuel retail price dropped another 1.7 cents per gallon to $1.25 on March. For the most part, diesel fuel prices have gradually declined since the beginning of December 1996.

- **Gasoline Prices:** On March 3, gasoline spot prices were mostly higher than a week ago with conventional reaching 59.48 cents per gallon in the New York Harbor. With the shifting seasons, gasoline spot prices have become higher than heating oil prices (two months earlier than price shift a year ago), as gasoline inventories fall short of last year's levels and the East Coast remains unseasonably warm. The national average price for self-serve regular gasoline for retail dropped to $1.21 per gallon by March 3, but remained 9.1 cents per gallon higher than last year.

- **Propane Prices:** Propane prices continued to decline as inventories remain slightly above last year's level. On March 3, the spot price for propane was 38.38 cents per gallon. On February 17, retail prices averaged $1.13 per gallon (latest available data), with prices in the Midwest showing a decline of nearly 50 percent since the December 1996 peak.

- **South African Clean Water Assistance:** During Vice President Gore's visit to South Africa for a South Africa-US Bi-National Commission meeting. a water purifying device invented at DOE's Lawrence Berkeley National Laboratory was tested. Now, the device is scheduled to be installed in a local hospice for children suffering from AIDS. This device, the winner of three major awards, can purify water at negligible costs for a village of 1,000 while using only 40 watts of power.

- **Women-Owned Business Program:** In April, DOE's Chicago Operations Office will start a women-owned business procurement pilot program. DOE is one of eleven agencies selected by the SBA to participate in a pilot program to develop strategic approaches to expanding the pool of small, women-owned firms receiving Federal contracts. The program is designed to educate, foster participation, and utilize small women businesses in meeting its procurement objectives and those of its management and operating contractors.

- **Home Page Award:** DOE's Office of Nonproliferation and National Security's World Wide Web Site was awarded the Look Smart Editor's Choice Award by *Reader's Digest Magazine*. Out of the millions of sites on the WWW, fewer than 150,000 have been awarded the Editor's Choice Award. The Site can be accessed on "http://www.nn.doe.gov/nn".

- **FL Former Weapons Plant:** Two new tenants signed leases in February to operate at the Pinellas Plant, a former nuclear weapons components manufacturing plant. One of the companies, Custom Manufacturing and Engineering Inc., plans to hire approximately 50 employees within the next few months and will gradually expand in five phases over the next year, eventually occupying more than 50,000 square feet. The other company, Enser Corporation, hired 19 former Lockheed Martin employees and signed a lease to temporarily occupy 7,000 square feet of the main building while making arrangements to establish a permanent location for thermal battery production.

- **Counter-Terrorism and Anti-Narcotics Technology:** Lockheed Martin Energy Research Corporation has licensed an Oak Ridge National Laboratory technology, expected to play a role in counter-terrorism and anti-narcotics efforts. The micro-technology can be used to detect chemicals used to tag explosives, drugs, and other materials. In addition to its applications with explosives, this technology can be useful to tag and monitor the movement and location of contraband and shipments under surveillance.

THE PRESIDENT HAS SEEN
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- **Budget Overview:** On March 11, Acting Secretary Curtis will testify before the House Appropriations Subcommittee on Energy and Water Development, and on March 13, the he will testify before the Senate Appropriations Subcommittee on Interior and Related Agencies. On March 18, Acting Secretary Curtis has been invited to testify at the House Subcommittee on Interior Related Agencies, chaired by Representative Regula, to discuss DOE plans to secure supplies of clean and affordable energy.

- **Armed Services Hearing:** On March 20, the Senate Armed Services Committee has rescheduled a hearing to focus on the adequacy of DOE's FY98 budget request to meet national security requirements. Chairman Thurmond has invited Secretary Curtis to testify along with Assistant Secretary for Environmental Management Alm and Assistant Secretary for Defense Programs Reis.

- **Chrysler Fuel Cell Development:** Assistant Secretary for Energy Efficiency and Renewable Energy Ervin will participate in a press conference, hosted by DOC and the Chrysler Corporation. To announce Chrysler's plan to develop a concept vehicle in two years powered by fuel cells, a highly efficient and environmentally benign power source. Over the past 30 months, DOE has provided over $7 million to Chrysler and Arthur D. Little for fuel cell development.

- **Media Inquiries:**
  - *CBS Evening News* recently visited DOE facilities at Rocky Flats in CO and the Los Alamos National Laboratory in NM as part of an "Eye on America" story on workers continuing to be diagnosed with chronic beryllium disease. DOE is continuing to identify workers with chronic beryllium disease from exposure to airborne beryllium in the fabrication of nuclear weapons.
  - *NBC News* recently visited DOE's Nevada Test Site to tape the new Device Assembly Facility. *NBC* is developing a piece on the $100 million facility, designed and built during the Cold War and now looking for a different mission, as part of its "Fleecing of America" series. The show is expected to air during the week of March 10.

DEPARTMENT OF EDUCATION

- **Remedial Instruction in Religious Schools:** The Solicitor General filed a brief on behalf of Secretary Riley in New York City's appeal of the 2nd Circuit decision in Agostini v. Felton prohibiting the city from providing federally supported remedial instruction on religious schools' campuses. Oral argument is scheduled for April 15 and a decision is expected by the beginning of July. Remedial instruction in reading and mathematics, available under federal legislation to all students regardless of what schools they attend, is currently provided to religious school students off campus to meet the requirements of the 1985 Supreme Court ruling in this same case.

- **IDEA Issues:** Issues regarding the Individuals with Disabilities Education Act (IDEA) are receiving substantial judicial and legislative scrutiny. Three federal judicial circuits in recent months have decided cases regarding the extent of school districts' responsibility to provide services under the Individuals with Disabilities Education Act (IDEA) to students with disabilities who voluntarily enroll in private schools. In another case relating to IDEA, On Feb 20, DOEd recommended that DOJ file a petition for Supreme Court review of the 4th Circuit decision in Virginia v. Riley rejecting DOEd's position that school districts are required to provide a free appropriate education to students who are expelled or long-term suspended due to disciplinary problems unrelated to their disabilities.

- **Title I Funding Reallocations:** In mid-April, DOEd expects to release a Census Bureau report that will determine allocation of Title I funds among the states. Shifts in poverty reflected in the updated data would re-target some funds to counties with higher concentrations of poverty and thus could have a significant impact on some states' allocations.

- **New American High Schools:** On March 10, Secretary Riley will announce six urban high schools selected to serve as models for school reform. The schools were chosen for their dedication to strong academic achievement for all students and preparing all students for college and careers. The schools selected are in New York, NY, Miami, FL, Boston, MA, St. Louis, MO, Chicago, IL and San Diego, CA.

- **America Reads Challenge:** Secretary Riley and Carol Rasco will meet with Congressman Roemer. Challenge staff are working among DOEd's offices to establish a Core Steering Committee and working groups on College Work Study/Training and Technical Assistance, and Early Childhood and K-3 reading instruction. This week, Carol Rasco met with the National Association of Elementary School Principals. As of March 4, over 85 colleges and universities had joined the America Reads Honor Roll.

- **Hearings:** On March 5, Secretary Riley testified about Administration education and budget proposals before the Committee. The Administer's proposals were generally well received. Some Republican members expressed concerns about the Davis-Bacon Act issue raised by the School Construction bill and about the B average requirement in the HOPE Scholarship proposal.

- **Secretary's Schedule:** The Secretary will participate in the following events:

March 11	Address the Council for American Private Education Legislative Conference in Washington, DC.
March 12	Address a NC Education Conference via satellite.
March 13	Address the Music Educators Dinner in Washington, DC.
March 14	Address the National Association of State Boards of Education Legislative Conference in Washington, DC.
March 16	Address the Council of Great City Schools Legislative Conference.
March 17	Address the Consortium of School Networking Conference.

ENVIRONMENTAL PROTECTION AGENCY

- **MI Salmon:** On March 4, MI gave EPA its final decision that MI will not issue an advisory for salmon for the upcoming fishing season as requested by EPA. As a consequence, the responsibility will fall to EPA under the Clean Water Act to ensure that citizens are informed and public health is protected. EPA will notify the public and the local tribes.

- **Nuclear Regulatory Commission (NRC) Rule:** EPA has engaged in discussions with the NRC over their rule on radiation standards for decomissioning NRC sites. The final rule is expected to be submitted to the Commission for approval shortly. Based on recent correspondence from NRC Chairman Shirley Ann Jackson, EPA believes that their rule may not adequately protect public health and the environment and may therefore be inconsistent with our cleanup standards.

- **Children's Health Protection:** This week, Dr. Philip Landrigan joined EPA to direct the new Office of Children's Health Protection. Dr. Landrigan, who is the chairman of the Department of Community Medicine at Mount Sinai School of Medicine, helped produce the 1993 study by the National Academy of Sciences on pesticides and children and is the co-author of the book Raising Children Toxic Free. Dr. Landrigan will help carry out the *Environmental Health Threats to Children.* Agenda includes addressing a wide array of complex threats to children's health.

- **Pharmaceutical Air Standards Production:** Next week, the EPA expects to propose new standards to reduce toxic air emissions from pharmaceutical production facilities. These proposed standards would reduce toxic air emissions including methylene chloride, toluene and hydrogen chloride by 24,000 tons annually, representing 65 percent reduction from current levels. Approximately 100 pharmaceutical facilities would be affected.

- **Administrator's Schedule:** Administer Browner will participate in the following events:

  March 10 — Address the Commonwealth Club in San Jose about new air quality standards and the importance of public health-based standards for air pollution.

  March 12 — Testify on Superfund before the House Transportation and Infrastructure Subcommittee on Water Resources and the Environment.

  March 14 — Travel to NY to conduct a *New York Times* Editorial Board.

OFFICE OF PERSONNEL MANAGEMENT

- **CPSC Personnel:** The Bureau of National Affairs (BNA) is planning a story on charges of inappropriate personnel actions at the Consumer Product Safety Commission (CPSC). They have requested a copy of an OPM report to CPSC identifying problems with six Commission appointments and directing corrective action. Some of the six cases may involve veteran's preference.

UNITED STATES INFORMATION AGENCY

- **Albania:** On March 2, the Albanian government ceased relaying VOA Albanian and English FM programming via the state-owned nationwide network in Tirana as part of its state of new emergency authorities. It also turned off an American-donated transmitter in Tirana used by VOA to broadcast its programming.

- **Niger:** The VOA affiliate station Radio Anfani in Niamey is continuing to broadcast despite a March 1 attack by four uniformed Nigerian soldiers who destroyed the station's new console and other new equipment. Radio Anfani retrieved old equipment from its storerooms, and in clear defiance of the government, resumed broadcasts.

- **Serbia:** Two more Serbian television stations now broadcast VOA's radio-television simulcast of "America Calling Serbia," bringing to 11 the number of stations in Serbia now rebroadcasting this newscast.

- **Public Opinion Polling:** In a late February survey, a plurality of Ukrainians (45%) are in favor of maintaining NATO as a force for stability and peace in Europe; many fewer (15%) would like it disbanded. The public is still divided, however, on the issue of NATO enlargement: 25 percent feel it would be good for Ukraine, 24 percent that it would be bad. Many (up to 40-50%) remain ill-informed or ignorant about NATO and NATO-related issues.

- **U.S. Education Reform Ideas in Singapore:** The Singapore government now shares the U.S. Administration's enthusiasm for connecting schools and libraries to the Information Highway, after USIS Singapore distributed a report from the U.S. National Center for Education Statistics discussing the availability of advanced telecommunications, including the Internet, in U.S. public schools.

- **Director's Schedule:** Director Duffey will participate in the following events:

  March 11 — Interview with *U.S. News and World Report* about the federal foreign affairs budget.

  March 12 — Testify before the House Commerce, Justice, State Appropriations Subcommittee.

  March 13 — Testify before the House International Relations Subcommittee on International Operations.

GENERAL SERVICES ADMINISTRATION

- **Disaster Relief Assistance:** GSA's Regional Offices have been working closely with FEMA in the following states:
  - **AR** - Region 7 has established an emergency management team including leasing specialists, telecommunications specialist and contracting specialists to procure and deliver any supply, equipment or service that is requested by FEMA.
  - **OH** - Region 5 has been working closely with FEMA for the last couple of days. GSA has several reality specialists working to establish FEMA headquarters in Chillicothe, OH; Athens, OH; Cincinnati, OH; and other satellite offices. GSA will also provide fleet support, security, and provide procurement specialists.
  - **KY** - Region 4 currently has a customer representative and reality specialist in Kentucky to assist FEMA. They are establishing an emergency center in Frankfurt, KY. GSA has a real estate specialist working with SBA to establish a SBA headquarters in Louisville, KY. GSA will provide telecommunications and procurement services for FEMA.
  - **IN** - GSA is working with FEMA to establish an emergency site in New Albany, IN. GSA telecommunications, fleet support and procurement support will also be provided.

- **Public Buildings Service Rent Shortfall:** On March 5, the House Public Buildings subcommittee held a hearing regarding GSA's Public Buildings Service rent shortfall. The impact of the two year $680 million shortfall will be no new building construction in FY 98 and a delay in most major building repair projects.

- **Brooklyn Courthouse:** This project involves the demolition of an existing federal building, construction of a new court facility, the renovation and restoration of a nearby historic Post Office building and an adjacent existing court structure. There is intense community opposition from a neighboring middle-income housing project, which perceives it as too tall/large. They have hired legal and environmental consultants and have lobbied their congressional representatives. GSA is under extreme pressure to respond to the Judicial space emergency for this district. The Judicial conference has declared this project a priority. The comment period on the courthouse officially ended on February 10. Heavy media interest is anticipated.

SOCIAL SECURITY ADMINISTRATION

- **SSA Beneficiaries' Report of Earnings:** Following OMB approval, probably following the week of March 14, SSA will publish in the *Federal Register* a final regulation changing SSA's reporting requirements for beneficiaries who work so that the IRS form W-2 and self employment reporting forms will replace SSA's separate reporting requirement. The change will be effective for 1997 and is a modification of a REGO II proposal.

cc:
The Vice President
Erskine Bowles
Franklin Raines
Bruce Reed
John Podesta
Sylvia Mathews
Ron Klain
Rahm Emanuel
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Don Baer
Maria Echaveste
John Hilley
Janice Kearney
Craig Smith
Ann Lewis

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE

WASHINGTON

Copy sent to E Bowle

March 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: **JOHN HILLEY**

SUBJECT: **WEEKLY LEGISLATIVE REPORT**

House of Representatives

The House considered Suspension bills this week. Next week, the House could take up the Paperwork Reduction Act and possibly the Comp Time bill. Next week the House will likely consider legislation to decertify Mexico with a "national interest" waiver stating that the Administration must also consult regularly with the Congress on the matter.

1. **Comp Time:** On Wednesday, March 5, The House Education and the Workforce Committee approved (23:17 along party lines) HR1, the Working Families Flexibility Act of 1997, which would allow private sector employers to offer workers a choice between overtime pay or extra time off for work done beyond the 40-hour work week. This reported bill contains inadequate protections for workers and could allow an unscrupulous management to deny overtime pay to workers who want it. We have issued a veto warning.

2. **Late-Term Abortion:** On Tuesday, March 11, the House Judiciary Constitution Subcommittee and the Senate Judiciary Committee will hold a joint hearing on late-term abortion. Rep. Charles Canady (R-FL) this week introduced a proposed ban on late-term abortions that is almost identical to the one you vetoed last year. Canady says he is more confident of this bill's success since a pro-choice advocate admitted lying about how often the procedure is performed on healthy women with healthy fetuses.

3. **Mexico Decertification:** On Thursday, March 6, the House International Relations Committee approved (27:5) a resolution by Rep. Ben Gilman (R-NY) to decertify Mexico as a drug-fighting ally. However, this bill would permit the President to waive decertification sanctions if he certifies that doing so is in the vital national interests of the United States. Rep. Gilman also included a provision requested by Minority Leader Dick Gephardt which mandates that the Administration consult, on a quarterly basis, with Congress on U.S. counter-narcotics goals and the strategy for reaching such goals.

4. **Government Reform and Oversight Investigation:** House Government Reform and Oversight Committee Chairman Dan Burton has requested $3.8 million, to look into Democratic fund-raising tactics. This is on top of the $16.2 million the panel is seeking for its basic operations.

THE PRESIDENT HAS SEEN
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5. **Republican Agenda:** On Thursday, March 6, House GOP leaders unveiled a familiar agenda for the 105th Congress, but pledged a return to regular order under which Committee Chairmen have more authority. The new GOP priorities mirror those of the last Congress: passing a Balanced Budget Constitutional Amendment, easing federal regulations, cutting taxes, eliminating race and gender preferences, fighting violence and drugs, and changing the structure of Medicare and Medicaid. House Majority Leader Armey could not provide a timetable for floor consideration of the initiatives, but ruled out consideration of race and gender preferences legislation in the first session. He said leaders have not yet discussed when they will take up the Balanced Budget Constitutional Amendment. House Speaker Gingrich noted Republicans are serious about following pay-as-you-go procedures for emergency supplemental bills and said he is asking the President for a list of offsets for Arkansas flood relief he requested.

Senate

1. **Balanced Budget Amendment:** On Tuesday, March 4, the Senate defeated (66:34) SJ Res 1, the Balanced Budget Constitutional Amendment.

2. **Government Affairs Oversight Investigation:** On Thursday, March 6, the Senate Rules Committee voted (9:6 party-line split, with Dodd voting present) to accept a one-year, $4.35 million budget for Sen. Thompson's investigation of campaign financing issues. The scope proposed by the Resolution voted on by the Committee would limit the investigation to "illegal activities" during the 1996 campaigns. This standard would make it difficult for the Democrats to look at Republican Congressional campaigns because, except in rare cases where the press has already broken open a story on Republican campaigns, Democrats will not be able to investigate or subpoena RNC, RSCC, etc. records to determine their practices since they will not be able to meet the "illegal activities" threshold. It is unclear whether the Democrats will attempt to block the Resolution from being considered next week. Meanwhile, Sen. Lott has agreed, for now, not to pursue a resolution calling for an Independent Counsel. Instead, Sen. Hatch will bring the issue before the Senate Judiciary Committee next week in an attempt to have committee members ask the Attorney General to appoint an Independent Counsel.

3. **TEAM Act:** On Wednesday, March 5, the Senate Labor and Human Resources Committee approved (10:8 party line vote) the TEAM Act. The Administration strongly opposes the measure. It remains unclear when the bill will be scheduled for floor action; however, Senate Democrats plan to filibuster the bill when it reaches the floor.

4. **Mexico Decertification:** Three measures were introduced this week which would overturn your certification of Mexico as a drug-fighting ally. The measures were:

a. SJ Res 19, which would decertify Mexico. This resolution was introduced under an expedited rule that makes it available for floor action without a committee markup.

b. SJ Res 20, identical to SJ Res 19, this measure would be eligible for floor consideration if the Senate Foreign Relations panel fails to take it up within 10 days.

c. SJ Res 21, which would decertify Mexico but places a one-year waiver on sanctions, is pending before the Senate Foreign Relations Committee.

5. Nominations: On Wednesday, March 5, the Senate confirmed (99:1; Sen. Allard voting against confirmation) Charlene Barshefsky to be United States Trade Representative.

a. The Senate tabled (84:16) a Hollings amendment to SJ Res 5, the Barshefsky waiver resolution. The Administration-opposed amendment would have required congressional approval of international trade agreements that altered or repealed U.S. trade law.

b. The Senate then passed (98:2) SJ Res 5, the Barshefksy waiver resolution. The waiver bill requires House passage and presidential approval to become law.

On Thursday, March 6, the Senate Energy and Natural Resources Committee approved (19:0; Senator Grams voting present) Federico Pena to be secretary of Energy. Senator Lott indicated from the Senate floor that he expected a vote on Pena's nomination no later than Wednesday or Thursday of next week. Lake has two hearing dates set for March 11 and March 13 respectively; however, issues remain which might put those dates in jeopardy, including FBI files, documents relating to Haiti, and the questioning of NSC staff regarding e-mailing and fundraising. Alexis Herman's hearing is set for March 18.

The Week Ahead

Next week's schedule remains uncertain. Legislation tentatively on tap for next week includes a constitutional amendment sponsored by Sen. Hollings regarding free speech and campaign finance reform and possibly some version of the Mexico decertification resolution.

Copied C Jennings COS (Boales)

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
3-10-97

February 21, 1997

MEMORANDUM TO THE PRESIDENT

FROM: Bruce Reed and Gene Sperling

SUBJECT: Background Information on Uninsured Children

Following up your meeting with Erskine on Friday, we asked Chris Jennings to provide you with the attached detailed background memo on the status of uninsured children in the nation, a description of possible policy options to address the problem, and an overview of the budgetary and political environment that surrounds this issue. We have also asked him to give you a status report on TennCare and the possible lessons Governor McWherter's legislative success could teach us about the upcoming debate on children's coverage.

Both parties in Congress are considering a number of ways to expand coverage to children: tax incentives, grants to states, Medicaid reform, and vouchers. There is no consensus yet either on the most sensible policy or on the most politically viable approach.

Because we expect this issue to be a top priority in budget negotiations, we have begun a joint DPC-NEC process to review and analyze continually evolving options that are emerging from the Congress. We will use this process to provide you with updated information and to develop sound policy options as the budget debate progresses. We have scheduled a meeting with you on Monday to discuss this issue with you further.

THE WHITE HOUSE

WASHINGTON

February 21, 1997

MEMORANDUM TO THE PRESIDENT

FROM: Chris Jennings CCJ

SUBJECT: Background Information on Uninsured Children

This memo responds to your request for background information about uninsured children. It includes:

(1) A summary of the problem and recent trends that define it;
(2) A description of who the uninsured children are and why;
(3) A brief description of the challenges of covering children;
(4) An overview of the major approaches to covering children; and
(5) An overview of the budgetary and political environment surrounding this issue.

In addition, there are two attachments, one that describes in detail our children's policies and a second on TennCare. Since you have indicated an interest in the status of TennCare, we have attached a three-page summary of the history and status of this innovative program. I asked Nancy-Ann Min to review and edit this document to make certain it provides you with a balanced and up-to-date portrayal of the TennCare experience.

UNINSURED CHILDREN: DESCRIPTION AND TRENDS

Number of Uninsured Children

- **In 1995, 10 million, or 14 percent, of all children lacked health insurance.** This proportion is higher than age groups over 45 years old (13 percent), but less than the 18 to 44 year old age group (about 25 percent). Despite major changes in the private health care coverage (outlined below), the proportion of uninsured children has hovered around 13-14 percent for almost a decade.

Trends

- **Employer coverage has declined.** While the proportion of uninsured kids is unchanged, it hides an underlying trend: coverage of children through employer plans has decreased (from 67 percent in 1987 to 59 percent in 1995). While some have asserted that this decrease stems from employers dropping dependent coverage, two facts challenge this theory. First, the proportion of adults as well as kids with employer coverage has declined, from 70 percent in 1988 to 64 percent in 1995. Second, about 80 percent of uninsured children have uninsured parents. This suggests that the decline in employer coverage is a family problem, not just a children's problem.

  One of the major reasons for the decline in employer-sponsored insurance has to do with the change in the U.S. labor market. Since the 1980s, industries have tended to outsource (subcontract with smaller firms) and hire more part-time workers; these workers are less likely to have health insurance. Additionally there has been a shift away from industries that are more likely to offer insurance, like manufacturing, to industries that often don't offer insurance, like retail. Finally, there has been an increase in workers in firms with less than 25 workers; about 30 percent of workers in firms with fewer than 25 employees lacked health insurance in 1995, relative to about 12 percent for workers in firms with 500 or more employees. In short, it is not that firms are dropping children's coverage so much as employment is shifting to firms less likely to offer insurance.

- **Medicaid coverage has increased, but is slowing.** The reason why the decline in employer coverage has not increased the number of uninsured children is Medicaid. In 1990, Federal law required states to begin phasing in coverage of poor children. As a result, the proportion of children covered by Medicaid increased from 16 percent in 1987 to 23 percent in 1995.

  Recent research suggests, however, that Medicaid did not necessarily help the children who lost their parents' employer coverage. Instead, it expanded coverage to families who did not have full-time workers, lowering the number of uninsured poor children at the same time as the employer trend increased the number of uninsured near poor children.

  While Medicaid has stabilized the proportion of the nation's children without insurance, its expansion is subsiding. In 1994 and 1995, the number of children covered by Medicaid barely increased. This is now reflected in lowered projections of the number of children covered by Medicaid in the future. The Congressional Budget Office (CBO) projects that the number of children covered by Medicaid will grow no faster than general population growth over the next 10 years.

- **Proportion of uninsured children may increase**. If recent trends continue (employer coverage declines and Medicaid expansions slow) and state and Federal government efforts are not stepped up, the number of uninsured children will rise.

WHO ARE UNINSURED CHILDREN

- **Most in working families.** Over 80 percent of uninsured children have a parent who works (two-thirds of these children's parents work full year, full time) (Chart 1).

- **Income varies.** There are large numbers of uninsured children across the income spectrum. In 1995, more than 3 million uninsured children were in families in each of the following income groups: poor, near poor (between 100 and 200 percent of poverty), and middle class (above 200 percent of poverty). Families just above poverty (between 100 and 150 percent of poverty) had the highest rate of uninsured children (24 percent), probably because they are above the Medicaid thresholds but have too little income to afford private coverage (Chart 2).

- **Concentrated in the south and southwest.** There is wide variation in the proportion of uninsured children across states. A disproportionate number of children reside in the south and southwest; in 1995, about 43 percent of all children but 55 percent of all uninsured children resided in these states (Chart 3). In part this reflects those states' Medicaid programs: southern states are less likely to have taken advantage of Medicaid options to expand coverage to children. This concentration also reflects these states' higher prevalence of low-income families, industries that don't provide health insurance, racial and ethnic groups less likely to be covered by insurance, and noncitizens (up to 22 percent of uninsured children — 2.2 million — may be legal immigrants).

WHY ARE CHILDREN UNINSURED

1. **Parents change jobs.** Because most children receive coverage through their parents' jobs, job changes disrupt the continuity of children's coverage. Nearly half of all children who lose health insurance do so because their parents lose or change jobs (Chart 4). About 30 percent of all children, regardless of income, spent at least one month without insurance between 1992 and 1994. In fact, when looking at workers with one or more job interruptions, they are over three times more likely to spend some time without insurance (42 percent relative to 13 percent of workers continuously employed). Thus, middle class children are at risk of losing insurance due to parents' job changes.

2. **Parents earn too much for Medicaid but too little for private coverage.** The highest rate of uninsured children is among families above poverty but below middle class. Low-wage workers are more likely to be employed by firms that do not offer health insurance; only 36 percent of workers earning less than $5 per hour in 1993 were employed by a firm sponsoring health insurance. Since the individual market for health insurance is volatile and costly, families without access to employer coverage may have few options. Even when these families are offered employer-sponsored insurance, they cannot always afford it. When job-related insurance loss is put to the side, the most important reason why children lose insurance is that it is too expensive for the family.

3. **Eligible but not enrolled in Medicaid.** Medicaid has not reached all of the children who qualify for it. An estimated 3 million uninsured children are eligible but not enrolled in Medicaid. Nonparticipation in Medicaid varies considerably across states; one report estimated that the proportion of these children ranged from a low of 7 percent in Vermont to 46 percent of eligibles not enrolled in Nevada. While there are no definitive studies on this problem, some reasons why this occurs include: lack of awareness of eligibility; the welfare stigma associated with Medicaid; cumbersome application processes; and availability of other coverage in the state (employer or state program).

CHALLENGES TO COVERING CHILDREN

Policy options to cover uninsured children usually share the goal of trying to cover the most children for the least amount of money. Children are probably the least expensive population to insure. Their health insurance premiums range from $800 to $1,600, depending on factors like the child's health status, the benefits, and the delivery system. Assuming that an initiative could successfully cover all and only uninsured children at $1,000 per child, the Federal costs would be $10 billion annually — not a small sum. While this amount does not take into account any state, private and family contributions, it also does not consider upward pressures on costs resulting from two challenging issues: (1) substitution of Federal dollars for current employer and state contributions; and (2) administrative complexity of the option. The extent to which an option addresses these issues is central to determining both its cost and coverage potential.

- **Substitution or "crowd out".** Given that uninsured children are not a homogenous group, it is important to design policies that encourage the enrollment of uninsured children but discourage enrollment of already-insured children. Participation in any health insurance program depends both on the families' interest in health insurance and the attractiveness of the policy. While the former cannot be altered, the latter is determined by a policy's visibility, benefits, ease of application, and, most importantly, cost. The higher the premium subsidy, the greater the likelihood of participation.

  The goal of encouraging participation of the uninsured is often at odds with an equally strong desire to ensure that already-insured children do not drop their current coverage. Almost any new initiative risks substitution of Federal coverage for employer coverage, known as "crowd out". Generally, employer crowd out is a problem with policies that extend above 200 percent of poverty, since the number of children with employer coverage increases with income. A different type of crowd out happens when the new initiative replaces state or Medicaid coverage of children. Since most states have used Medicaid options or have funded state-only programs for children, it is nearly impossible to design a policy that does not overlap with at least a few states' programs. Both types of crowd out are problematic because they increase Federal costs without increasing covered children.

- **Administration.** In any subsidy program, there is a conflict between the desire to target efficiently and to limit complexity and bureaucracy. Targeting requires sophisticated rules and protections against substitution of existing coverage and fraud and abuse. This results in a large bureaucratic role in determining eligibility, implementing the program, and enforcing the rules. However, the organization charged with administering the program (probably states and/or the IRS) may not be willing or able to manage this role. Finding the appropriate administrative balance is particularly important in children's initiatives given the heightened complexity of the problem, described above.

Given these issues, it is impossible in a voluntary system to cover more than two-thirds to three-quarters of the 10 million uninsured children without large-scale substitution of Federal dollars for current employer health insurance payments. If one tried, the costs would be prohibitive—much more than the $10 billion per year in the theoretical, perfectly targeted situation. This is because it would unavoidably cover children who now have employer insurance. Moreover, to the extent to which the policy is designed to mitigate employer crowd out with rules, it risks penalizing responsible employers. The best way to prevent employer crowd out is to prevent employers who insure children from eliminating that coverage. Yet, this effectively mandates the employers who have responsibly insured children to maintain that coverage, while letting employers who have not been so responsible off the hook. This helps explain why at some level one cannot get beyond a certain threshold of uninsured people without an individual or employer mandate.

OPTIONS FOR COVERING CHILDREN

Recognizing the complexity of the problem and the challenges in addressing it, proponents have considered four general approaches to increase health insurance coverage for children: tax credits, state grants, Medicaid expansions, and more traditional subsidy programs linked to a new entitlement (usually called vouchers). Clearly, there are other types of approaches, such as employer/individual mandates or a Medicare program for children. While such policies might well be more efficient to administer and more comprehensive in effect, they are not viable by any measure of today's economic and political environment. This section describes the four most considered approaches generally and discusses the major issues surrounding them.

1. **Child health tax credits.** Child tax credit proposals use a built-in system to give subsidies to families that have purchased coverage for their children. Usually this subsidy is granted either in a retrospective, annual refundable tax credit or as "advances", using changes in the withholding on payroll checks like in the earned income tax credit (EITC). While some proposals make the amount of the credit income-related, others have proposed flat credit amounts for all families. All rely on the IRS to administer and to some extent monitor the credit through tax withholdings, filings, refunds and audits.

Proposals for tax credits for children's health coverage are frequently poorly targeted since their goal is to help all families — not just uninsured families — afford coverage. While this approach is equitable, it also is an expensive way to increase coverage since more money will go to families with insurance than without insurance. Additionally, the ability of the IRS to administer a child health tax credit is not proven. In 1991-1992, it oversaw a child health tax credit that was repealed in 1993 for many reasons, including problems that Treasury encountered in monitoring fraud and abuse.

2. **Grants to states.** A second option is to give states grant money to let them design their own programs. Today, most states sponsor non-Medicaid programs, often in partnership with the private sector. In Florida, for example, the Healthy Kids Program combines local, state and family contributions to cover low-income children through schools (we may want to highlight this program at or around your visit to Florida in March). Grant programs allow Federal money to either leverage these types of state programs or create new ones (like the workers between jobs initiative).

States are probably the most efficient vehicle for administering a child health coverage initiative, since they already manage the health care coverage for 18 million children on Medicaid. However, the flip side of this advantage is that they have an incentive to use any new grant money to replace state spending. It is hard to design policy "walls" that prevent this from happening.

3. **Medicaid.** Given the central role that Medicaid already plays in covering children, expanding Medicaid is one of the simplest ways to increase kids' coverage. There are three ways that Medicaid could be changed to increase the number of children covered. First, the current program could be improved. As described earlier, Medicaid intends but does not succeed in covering all eligible children. Legislative and regulatory changes could be made to make Medicaid more accessible and last longer once the child is in the system (e.g., improve outreach, allow states to extend continuous coverage for 12 months). Second, states could be given either more flexibility or a financial incentive to expand optional coverage. For example, states could be allowed to charge premiums to children above the mandatory levels, as is done in several 1115 waiver states. Third, Federal law could be changed to require states to cover more children. However, concerns about unfunded mandates makes any Medicaid mandate extremely difficult to support.

Medicaid options, like others, risk crowding out employer coverage, but the potential is usually low since they mostly focus on populations without access to employer insurance. This low employer crowd out, coupled with low state crowd out (since it builds on rather than replaces Medicaid), make Medicaid options among the most efficient. However, using Medicaid places administrative constraints on the option. It is hard to ask states to use Medicaid to administer a policy that is substantially different than Medicaid in terms of eligibility and benefits.

4. **Vouchers.** A fourth option is a 100 percent Federally funded entitlement program for children's health coverage. This approach allows for national standards for coverage and eligibility but usually relies on states to administer the program.

   This approach, like tax credits, is hard to target. Vouchers create a large financial incentive to substitute Federal for employer and/or state funding. Some options have developed complex eligibility rules to minimize this risk (e.g., restricting eligibility to children uninsured for six or more months). However, the more concerted the effort to keep insured children out of the program, the more difficult it is to implement. And, since the Federal government does not have offices equipped to determine eligibility and deliver subsidies (aside from the IRS), this administration would likely fall to states.

These approaches are not mutually exclusive and can be used in combination. For instance, a state grant program can be coupled with a tax credit to assist families in purchasing coverage. Alternatively, a grant program could be designed to begin where Medicaid coverage ends. Not only are these combinations possible; they may be needed since no single approach can cover the diverse group of uninsured children.

In fact, our children's health initiative uses multiple policies rather than a single, one-size-fits-all approach. We take on the three reasons why children lose coverage through: a grant program for children losing coverage when their parents lose their jobs; a grant program for children with too much income for Medicaid but too little to afford coverage; and a package of Medicaid improvements to target children who fall through the cracks (see attachment for more details). We chose this approach because it covers several rather than one group of uninsured children, it limits crowd out, and it strengthens our partnerships with states. The risk of our policies' crowding out private coverage is not large because (a) the workers between jobs initiative only provides dollars when employer contributions cease (ie., when the worker becomes unemployed) and (b) the state grant and the Medicaid proposals focus on kids that usually do not have private coverage. Administratively, the proposal works with existing state systems rather than requiring Treasury to set up a new program.

The disadvantages of the proposal are, first, that it relies heavily on leveraging state and private dollars, so that covering 5 million children is a best-case scenario. The Medicaid improvements and state grant program require state dollars. State and Federal money in the baseline is used to cover the 1 million poor children phased into Medicaid under current law. While we project that 1 to 2 million children will be enrolled in Medicaid through outreach, we have not explicitly funded it in the budget. Second, we have put the least amount of money toward the group that may have the greatest problem: children in working families without access to employer insurance. Beyond the low level of funding of our proposal ($750 million per year), any state grant program targeting this group is vulnerable to states' substituting this money for existing state funding. Third, on the political front, our proposal does not integrate the approach that is most frequently included in Congressional proposals: tax incentives.

While many Congressional proposals also use a combination of policies, they almost always include some type of tax incentive — clearly the option of choice for Republicans and many Democrats. This reflects Members' attempt to avoid the appearance of a new open-ended Federal program [ironically, the provisions in your proposal are all capped, while tax incentives are open ended, since they entitle a class of people to a particular subsidy]. We did not include such a proposal in our children's health initiative because of concerns about crowd out and because the Department of Treasury believes such approaches are extremely difficult to administer. However, given the potential for both additional money for coverage and Republican support that comes with tax proposals, we will work aggressively on options that could integrate them.

CONCLUSION: CURRENT BUDGETARY AND POLITICAL ENVIRONMENT

As described above, there are countless approaches to expanding coverage for children. And, there will inevitably be additional "unveilings" of proposals in the near future. That a consensus has not developed early in the debate is not surprising. In fact, it is a generally positive development for it gives Members the opportunity to be invested in whatever option can emerge from the Congress. It also gives us the ability to provide helpful technical advice that concurrently keeps us informed of Hill approaches and gives us the opportunity to steer policy options in appropriate directions.

Unfortunately, however, the opposition to our Medicaid per capita cap and DSH policies continues to complicate our ability to get a positive "lift" from our $18 billion investment in coverage expansion. The advocates and Governors — who should be our allies on a children's coverage initiative — are dedicating most of their time and resources to fighting our Medicaid policy. This is despite the fact that we are saving only $9 billion off an over $600 billion, 5-year Medicaid baseline. The disappointing consequence of the Governors' and interest groups' lack of advocacy for our proposal may well be that Republican Members and staff may think that there is little price to pay for deleting coverage investments from the budget.

Having said this, there continues to be strong interest among the Democratic Leadership to include a significant health coverage expansion in any final balanced budget agreement. Succeeding in getting such a high priority item in the final budget might help us keep key Democrats on board in what will be an otherwise difficult vote.

The Blue Dogs are planning on releasing their budget proposal next week. Initial reports suggest that they are going to avoid significant tax cuts and investments at this point. This includes initiatives in the area of children's health coverage. However, Blue Dog staff have suggested that they are taking this position for strategic reasons. They believe it enables their Members to bargain back votes using their excess savings, and have suggested that this could include investments in health care. Notably, the most conservative Members of this coalition (Condit and Hall) have expressed interest in policies to address workers between jobs.

Even more noteworthy has been a quiet movement among a number of Republicans (Gramm, Specter, Jeffords, Chafee, Archer and Bliley) to consider a major health coverage expansion investment for children. This obviously contrasts dramatically with the last Congress, which pushed the coverage issue off of any legislative priority list.

Despite this encouraging news, it remains unclear whether the interest in children's coverage, particularly among Republicans, will be retained after budgetary limitations and policy complexities are imposed on Members. In response, many Republicans may conclude that coverage expansions should be a low priority for them.

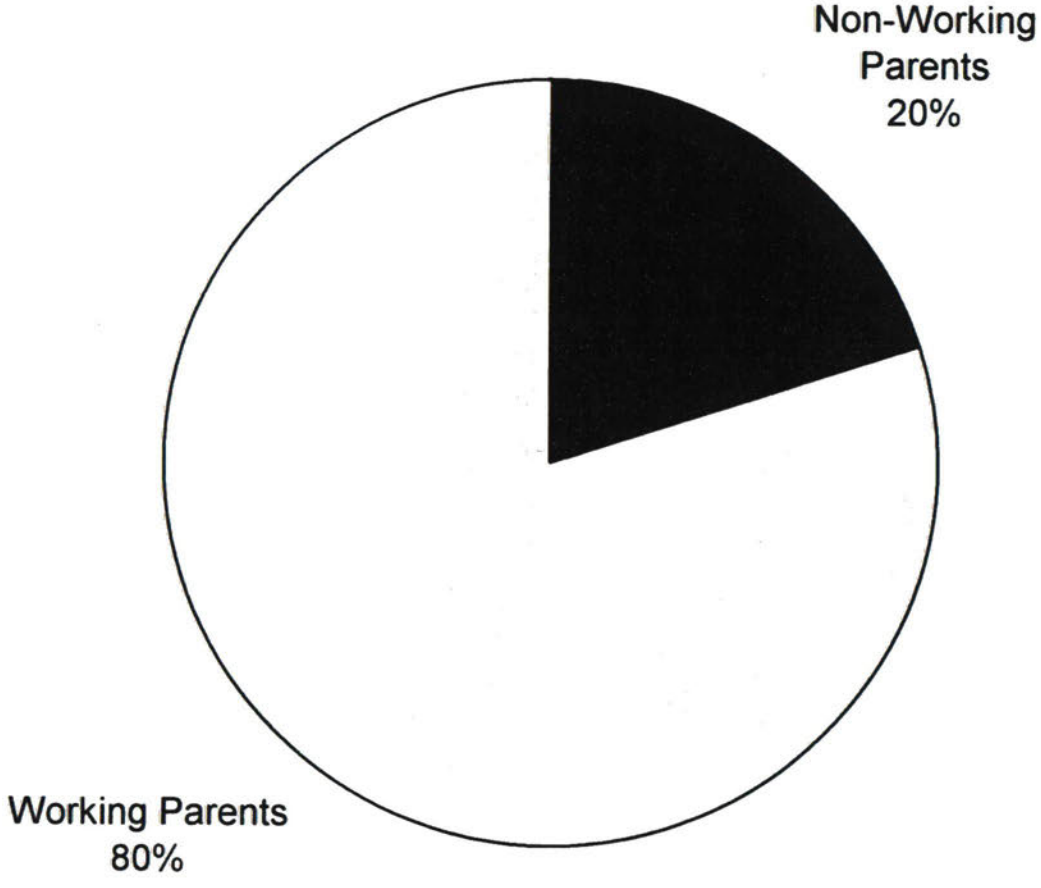
To keep a credible number of Republicans on board will require either major positive or negative incentives (or some combination of both). On the positive side, Republicans will have to believe that they will get at least some of the credit for the policy; they rightly think that Democrats — and particularly you — always get the lion's share of the credit for any health initiative. On the negative side, we will have to create an environment in which they feel they cannot reject a particular children's coverage policy without risking severe political consequences.

To this end, we will need to dedicate time for you and other Administration representatives to highlight the importance of expanding coverage in the context of a balanced budget, stressing the need for a bipartisan commitment in this area. We also will work with influential interest groups to let them know that they need not endorse the particulars of our approach but that they must send strong, unified signals that it is critical to make investments in children's health coverage in this year's budget.

John Hilley agrees that our best Congressional strategy may well be to directly or indirectly continue to encourage Republicans to get out in front of this issue and introduce their own approaches. Even if we find ourselves disagreeing with their policies, we should resist public criticism or comment. The most important goal for now is to get the budget committees to direct the authorizing committees to finance some coverage improvements. If they do, we will have assured funding for an initiative and will still have sufficient time to raise concerns at the authorizing committee level about particular approaches.

As Bruce and Gene mentioned in their memo, we are continuing our DPC-NEC policy review process to monitor legislative evolutions on the Hill and to determine whether we need to re-position our policy or modify our strategy. This process will enable us to evaluate new Hill proposals in great detail, provide you with Administration-wide opinion of them, and to make recommendations to you about legislative, communications and political strategy around children's health proposals.

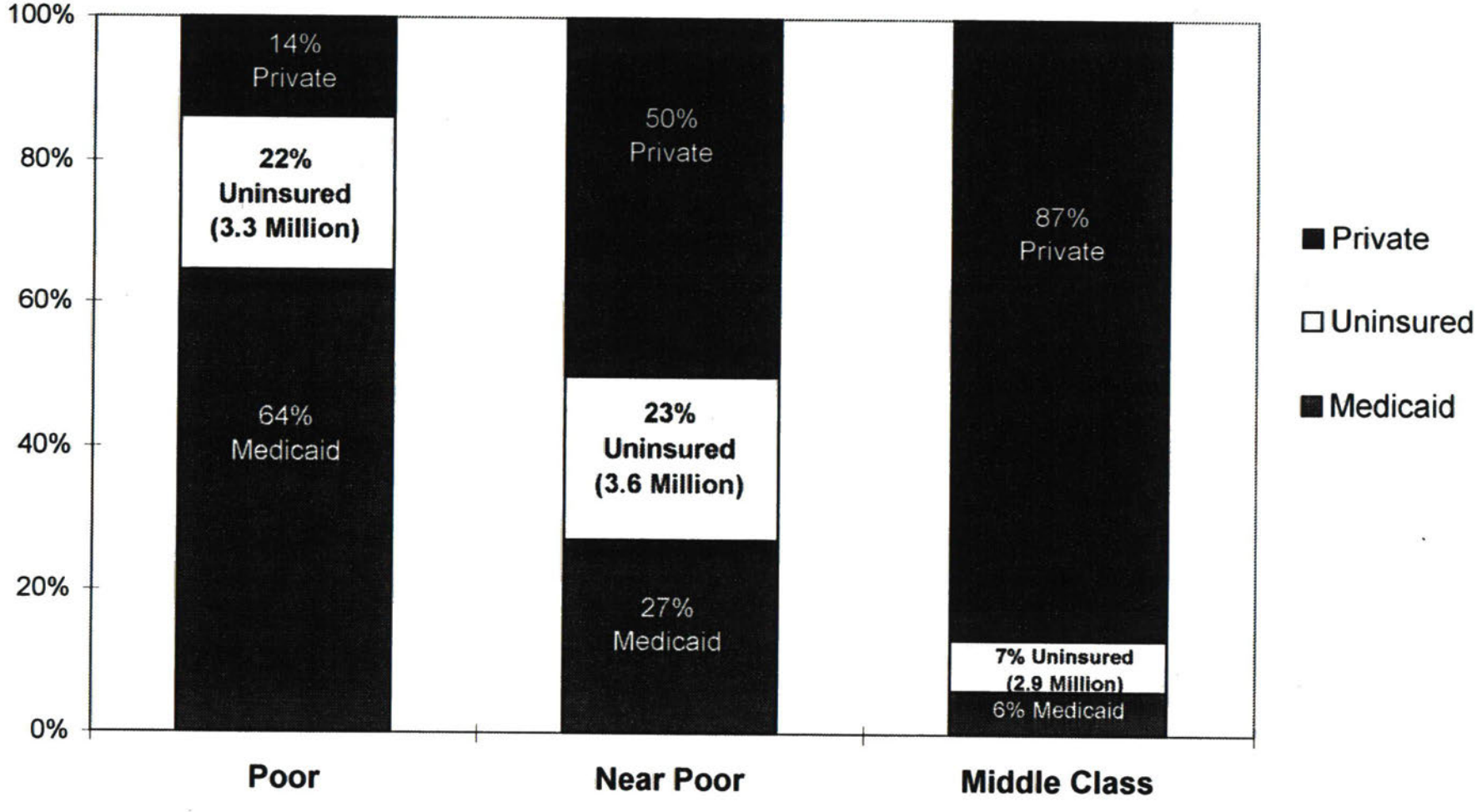
Most Uninsured Children Have a Parent Who Works



Note: 56% of children (two-thirds of working children) have parents who work full year, full time
Source: EBRI, 1996

Chart 1

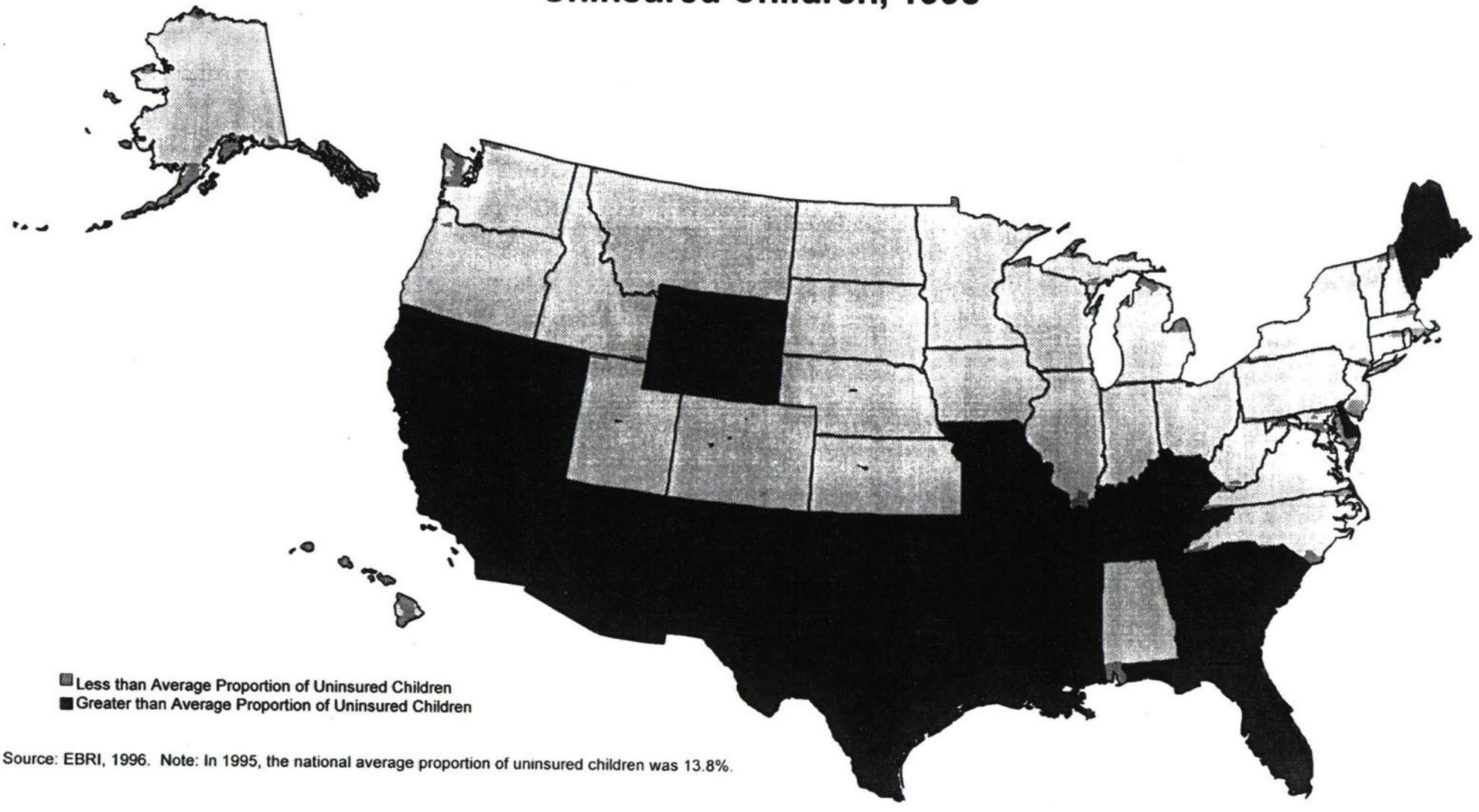
Children's Health Coverage, 1995
Proportion of Children Covered by Different Sources



"Poor" means < 100% of poverty; "Near Poor" means 100-199% of poverty; "Middle Class" means > 200% of poverty. "Private" includes nongroup and other coverage.
Source: EBRI, 1996

Chart 2

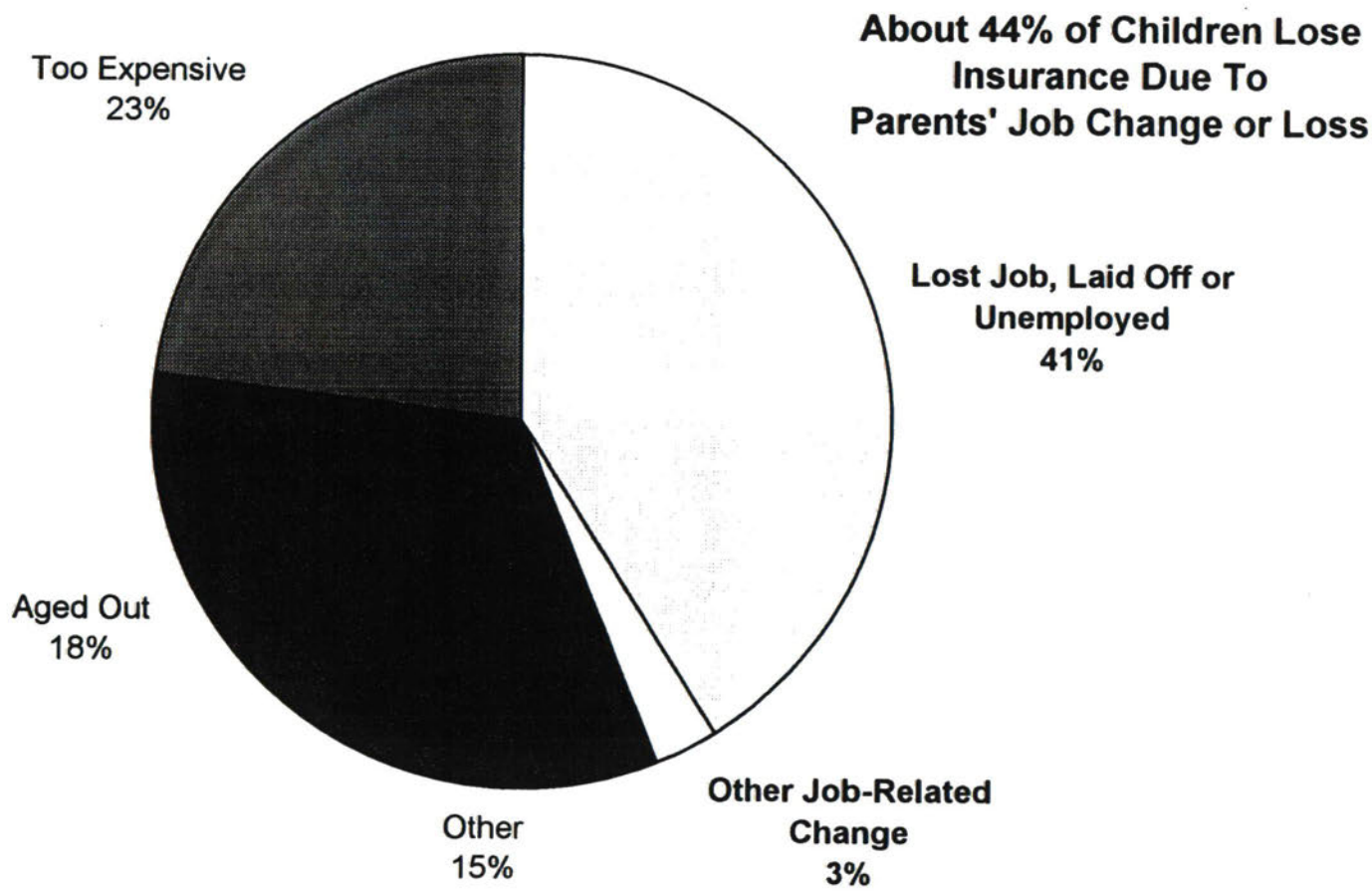
Uninsured Children, 1995



Source: EBRI, 1996. Note: In 1995, the national average proportion of uninsured children was 13.8%.

Chart 3

Reasons Why Children Lost Health Insurance



Note: "Other Job-Related Change" includes shifting to part-time work and employer ending coverage; "Aged Out" means that the child's age change ends eligibility; "Other" includes death or divorce of parent and voluntary termination, etc. Includes children under age 22.

Source: Sheils & Alecxih, 1996.

Chart 4

PRESIDENT' FY 1998 BUDGET
CHILDREN'S HEALTH INITIATIVE

Significant gaps remain in children's health coverage. In 1995, 10 million children in America lacked health insurance. While there are many different reasons why children lack insurance, most uninsured children can be found within three groups, each of which require separate initiatives:

- **Children at risk because their parents change jobs:** Because most children receive coverage through their parents' jobs, job changes disrupt the continuity of children's coverage. Nearly half of all children who lose health insurance do so because their parents lose or change jobs.

- **Children whose parents earn too much for Medicaid but too little for private coverage:** The highest rate of uninsured children is among families who earn too much to qualify for Medicaid but too little to afford coverage. Nearly one in four children in families with income just above poverty have no health insurance.

- **Children eligible but not enrolled in Medicaid:** Medicaid has not reached all the children who qualify for it. About 3 million children are eligible but not enrolled.

Working with States, communities, advocacy groups, providers, and business, the President's initiative will extend coverage to up to 5 million children by 2000.

Continuing Coverage for Children Whose Parents are Between Jobs

- The President's budget will give States grants to temporarily cover workers between jobs, including their children, at a cost of $9.8 billion over the budget window.

- The program would offer temporary assistance (up to 6 months) to these families between jobs who have lost their coverage. This assistance may be used to purchase coverage from the worker's former employer (through COBRA) or other private plans, at States' discretion. States have the option to participate in this grants program, which is structured as a four-year demonstration.

- Families are eligible for full premium assistance if their monthly income is below 100 percent of poverty, and partial premium assistance if their income is below 240 percent of poverty. Only families who do not have access to Medicaid or insurance through a spouse's employer and are receiving unemployment compensation are eligible.

- This program will help an estimated 3.3 million working Americans and their families, including 700,000 children.

- The President's budget also makes it easier for small businesses to establish voluntary purchasing cooperatives, increasing access to insurance for their workers and children.

Building Innovative State Programs for Children in Working Families

- The President's budget provides $750 million a year in grants to States ($3.8 billion between 1998 to 2002). States may use these grants to offer reduced-price insurance for children and leverage State and private investments in children's coverage through a matching system (using the Medicaid matching formula).

- The Federal grants, in combination with State and private money, will target uninsured children whose families earn too much to qualify for Medicaid but too little to afford private coverage. The grant program will also improve Medicaid enrollment since some families interested in the new program will learn that their children are in fact eligible for Medicaid.

- Grants may be used to target the unique problems facing children in each State. The program builds upon the successful efforts of States that have tailored programs to address the particular gaps in coverage for their children. For example, the Florida Healthy Kids program uses schools to enroll and insure children. States have flexibility in designing eligibility rules, benefits and delivery systems. In return for this flexibility, States will provide annual evidence of positive outcomes of the grant money — specifically the number of uninsured children it helps.

Strengthening Medicaid for Poor Children

- The President's budget preserves and strengthens Medicaid's guaranteed coverage for low-income children. In addition to improving coverage for the 18 million children already covered by Medicaid, it continues the commitment to expand coverage to another one million children between the ages of 13 and 17.

- The President's budget gives States the option to extend one year of continuous Medicaid coverage to children. This will cost an estimated $3.7 billion between 1998 and 2002.

    - Currently, many children receive Medicaid protection for only part of the year. This is because Federal law requires a family that has a change in income or some other factor affecting eligibility to report it immediately, possibly making them ineligible for Medicaid.

    - This policy allows States to waive the more frequent redetermination and guarantee coverage for up to one year. This benefits families who will have the security of knowing that their children will be covered by Medicaid for at least a full year. It will also help States by reducing administrative costs and managed care plans by enabling them to better coordinate care.

- The President also proposes to work with the Nation's Governors, communities, advocacy groups, providers and businesses to develop new ways to reach out to the 3 million children eligible but not enrolled in Medicaid.

PRESIDENT'S FY 1998 BUDGET
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Experience in TennCare

- **What is TennCare?** In 1994, under a 1115 waiver granted by you, Tennessee converted its Medicaid program to a managed care program for virtually every one of its Medicaid recipients and also opened enrollment to all uninsured people in the state. It subsidized premiums for the uninsured, on a sliding scale basis, all the way up to 400 percent of poverty. (For example, families just above poverty paid $25 a month; families at 400 percent of poverty paid $366 a month; families above 400 percent of poverty paid $462 a month; and uninsurables — families who have extremely sick individuals — paid $562 a month). Due to a number of factors (explained below), enrollment of the uninsured ended after one year. However, the state plans to re-open enrollment to uninsured children in April 1997.

- **History of Tennessee's Waiver**. The idea for TennCare came from a need to avert a financial crisis facing Tennessee combined with a desire to expand coverage to the uninsured. In 1993, Tennessee and other states with large Medicaid disproportionate share hospital (DSH) programs were about to have their DSH funding limited by recently enacted laws. Tennessee's DSH spending was nearly 20 percent of the state's total Medicaid spending in 1992, among the highest in the nation. Governor McWherter, his Commissioner of Finance, and a small staff put together a plan that would capture the DSH funding through a "demonstration" or 1115 waiver program in which the state would use that money to expand coverage.

  In May 1993, Governor McWherter gained approval of a plan from the state legislature and set about the task of getting it Federally approved and implemented by January 1994, when the state legislature reconvened. During the summer and fall of 1993, he negotiated with the Administration and was granted the waiver in November; by January 1, 1994, the demonstration began.

- **Rapid Expansion in 1994**. In early 1994, TennCare not only switched virtually all of its Medicaid recipients to managed care, it increased its enrollment by nearly 50 percent to cover an additional 400,000 previously uninsured people. By January 1995, when Governor Sundquist took office, TennCare enrollment was at its peak of 1,259,895. This included about 450,000 previously uninsured people. The increase in the number of the uninsured pushed Tennessee's coverage numbers ahead of most states and ALL southern states in the nation; although statistics vary, the state was covering over 90 percent of its population — an impressive achievement by any measure.

  However, the first year was marked by several problems. Many providers rebelled against the "cram down" policy in which the state would not contract with providers for state employees if the providers did not also treat TennCare patients. Additionally, both Medicaid and uninsured people were confused over how to enroll and had difficulty in determining whether their providers were in their network. Finally, there were reports of serious fraudulent marketing practices by managed health care health plans. Specifically, prisoners were illegally enrolled; homeless shelters were targeted to sign up people who would never receive services; young healthy white males were enrolled while anyone who looked ill was avoided; and people who were already covered by Medicaid were told they would lose their Medicaid if they didn't sign up for a particular new managed care plan.

- **Reduced TennCare enrollment in 1995 and 1996.** Due to first year implementation problems and state budget pressures, Governor Sundquist closed enrollment of new uninsured applicants (except for "uninsurables"), increased premiums and collection efforts, and implemented more stringent eligibility verification. As a result, there were 78,500 fewer enrollees as of December, 1995. In August of 1996, the TennCare Bureau announced that it would cut tens of thousands of additional names from the rolls, saying that it lacked current addresses and the enrollees failed to respond to mail inquiries about their eligibility. At the same time, Blue Cross, which covers nearly 50 percent of TennCare enrollees, announced that it would freeze enrollment of TennCare recipients. As a result of these reductions in enrollment, there were 1,148,148 people enrolled in TennCare, as of February 11, 1997.

- **Other challenges facing TennCare.** The provider community has consistently raised major quality, access, and payment concerns about TennCare. They threatened not to serve TennCare patients, but (other than a brief time of protest) most physicians are still serving the beneficiaries. The public hospitals who used to receive large DSH payments, like the "Med" in Memphis, have had a particularly hard time sustaining economic viability. However, with some financial and oversight assistance from the Federal Government, these problems and the marketing abuses outlined above, seem to be being addressed over time. For example, the state has commissioned a detailed study of access, cost and utilization to improve the operation of the program. Probably the most concerning development has been a recent rise in the infant mortality rate. This rate has not increased since 1987 and it happens to coincide with a time in which TennCare is covering over half of the state's live births.

- **Expanding to kids in 1997.** On January 13, 1997, the Governor announced that, for the first time in two years, enrollment in TennCare would be opened. It would extend coverage to poor children between 14 and 18, and would allow families with higher incomes to buy their children into TennCare. Governor Sundquist believes that they will be able to enroll 51,000 more children.

Part of the reason for this initiative is the managed care plans' concerns about the risk selection without re-opening enrollment. According to John Ferguson, State Finance Commissioner, "the addition of uninsured enrollees is needed for the health of the program" since TennCare "has lost the healthier ones whose premiums help pay for the care of others." Tony Garr, head of the advocacy group, Tennessee Health Care Campaign, confirms this more pragmatic rationale: "opening enrollment is the only option for the state. They need to do it to preserve the integrity of the program...."

- **Does TennCare serve as a model for other states to expand coverage?** Given the experiences in this program, the jury is still out as to whether TennCare is a model program for other states to emulate. It is a major accomplishment that 450,000 Tennessee residents who would otherwise have been uninsured have benefited from this program. And, even though the number of uninsured has been increasing in recent years, there are at least 300,000 more people insured than there were prior to the implementation of TennCare. However, as mentioned above, there are persisting challenges, particularly in terms of risk selection and quality. Most importantly, however, because of the unique disproportionate share financing arrangement the Administration provided to Tennessee, the TennCare model would be extremely difficult to replicate in other states.

- **Why is TennCare difficult to replicate?** First, there are only a handful of states (NH and MO among them) that have enough DSH dollars and political will to divert that money from public hospitals toward new coverage. Second, the low-DSH Governors -- who represent the vast majority of the country -- would oppose such an approach both because they would not benefit and because they believe that those who would only could do so because they "gamed" the system in the first place. Third, DSH money available is being reduced in our balanced budget proposal; it is now contributing about $15 billion of our total $22 billion in gross Medicaid savings. Unfortunately, a reduction in DSH savings would require an increase in savings from the unpopular per capita cap.

- **Lessons of TennCare:**
  First, rapid movement from fee-for-service coverage to managed care achieves savings that can be invested back into coverage expansions. Unfortunately the savings may not be sustainable for long periods of time (TennCare plan premiums have seen some notable increases); moreover, since most states are already moving rapidly toward a greater use of managed care, future savings will be limited. Having said this, as we provide states with easier access to managed care (through the elimination of managed care waivers), we should strongly encourage them to reinvest their savings into coverage expansions.

  Second, outside financing sources (TennCare used their DSH dollars) will be necessary to have any major expansion of coverage. Your budget explicitly recognizes this point by reinvesting about $18 billion in support of increased access to insurance.

  Third, Governors will likely learn that it is extremely difficult to successfully exchange constraint in provider reimbursement for coverage expansion without utilizing a McWherter-type model that rushes the proposal through the legislative process. Unfortunately, providers are now better prepared to oppose this strategy specifically because of the TennCare experience.

  Fourth, the downside of legislative successes like TennCare is that they almost inevitably produce implementation problems (as has been the case in Tennessee) that are extremely challenging. Quality and access issues frequently arise because of rapid and confusing changes in the delivery system. Additionally, providers who oppose the changes are quick to point out — in the most public ways possible — any real and/or perceived problems.

  Finally, the TennCare experience supports the idea that efforts to significantly expand new coverage must be done in a way that covers the healthy as well as unhealthy populations to guard against adverse selection. The problem in a predominantly voluntary program is that it is extremely difficult to entice healthy uninsured people to join without high subsidies. This argues for carefully designed approaches to incremental reform. Expanding coverage to a group like kids, for example, might be a way to both limit the Federal dollars and get healthy people enrolled, since many parents want to cover their children regardless of their health.

THE PRESIDENT HAS SEEN
3-10-97
COS
Wallman
Waldman
Also gave copy to Nash

THE WHITE HOUSE

WASHINGTON

March 8, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
HELEN HOWELL Helen

SUBJECT: Speech at Free TV Conference

The attached Wallman/Waldman memo recommends that you use the occasion of your address to the Free TV for Straight Talk Coalition on Tuesday to announce support for a new public interest obligation on digital television broadcasters -- a free TV requirement that could be done by the FCC without waiting for campaign finance reform legislation.

Background. The FCC is currently debating whether digital broadcasters should have any additional public interest obligations beyond those expected of today's analog broadcasters. This debate threatened to slow the timing of the transition to digital broadcast. To avoid a stalemate, the VP announced on February 5 that you would form a special group to study what the obligations ought to be and to report back within one year. The announcement also stated that, in the meantime, you wanted the FCC to move forward with other necessary steps for the transition to digital broadcasting.

Announcement. The announcement would consist of 3 parts. ***1)*** Support for free broadcast time to qualifying candidates. Details of how the requirement would work would be determined by the study group although Reed Hundt has proposed that digital broadcasters collectively be required to provide free time or its cash equivalent value totaling $1 billion for each 2-year election cycle. The time and money would then be pooled in a "bank," and could be redeemed by federal candidates with vouchers issued to them, perhaps by the FEC. Your speech would stress that the free TV requirement would be consistent with McCain-Feingold, and doesn't eliminate the need to pass comprehensive campaign finance reform. *Although Sen. McCain has concerns about this proposal because he believes it will make it harder to attract Republican support for McCain-Feingold, your senior advisors, including John Podesta, John Hilley, Craig Smith and Ann Lewis, view this as consistent with McCain-Feingold. They support moving on both administrative and legislative tracks.* ***2)*** The naming of the head of the study group -- the leading candidate is Newton Minow, former Chairman of the FCC and advocate for improving the ways broadcasting serves the public interest. *Note that Presidential Personnel is trying to complete the vetting process ASAP, but may not be able to finish prior to your Wednesday address.* ***3)*** A challenge to broadcasters to voluntarily provide free time to candidates, as Barry Diller has already urged.

Free TV public interest obligation	✓ Approve	__ Disapprove	__ Discuss
Head of study group	✓ Approve	__ Disapprove	__ Discuss
Challenge to voluntarily provide free TV	✓ Approve	__ Disapprove	__ Discuss

THE WHITE HOUSE

WASHINGTON

March 6, 1997

MEMORANDUM TO THE PRESIDENT AND THE VICE PRESIDENT

FROM: KATHLEEN WALLMAN
MICHAEL WALDMAN

SUBJECT: THE PRESIDENT'S SPEECH AT FREE TV CONFERENCE

On Tuesday, March 11, the President will address the "Free TV for Straight Talk Coalition" on the subject of free TV for federal candidates. The speech will reiterate our support for free TV and for campaign finance reform.

We recommend that the President use the occasion to announce support for a new public interest obligation on digital television broadcasters -- a requirement for free TV that could be done by the FCC without waiting for campaign finance reform legislation.

This could be accomplished by requiring that broadcasters who are granted digital licenses, as a part of their public interest requirement, to provide up to $1 billion in total broadcast time annually. We recommend that the President name a prominent champion of this approach as the head of a new commission to study the public interest obligation of digital broadcasters and urge the commission's careful attention to this idea.

I. BACKGROUND

The FCC is now debating whether digital broadcasters should have any additional public interest obligations beyond those expected of today's analog broadcasters.

- Reed Hundt argues that because broadcasters are being given enormous new capacity for free, it seems reasonable to expect the digital broadcasters to adhere to higher public interest obligations than analog broadcasters are subject to today.

- Broadcasters, by contrast, resist additional requirements, arguing that it would be wrong to impose any new obligations on an industry that has not taken shape yet.

The debate over what the obligations ought to be threatened to slow the timing of the transition to digital broadcast. To avoid a stalemate, on February 5, the Vice President announced that the President would form a special group to study what the obligations ought to be and report back to the President within one year. The announcement emphasized that, in the meantime, the President wished the FCC to move expeditiously on the other steps needed to make the transition to digital broadcasting.

II. THE PROPOSED ANNOUNCEMENT NEXT WEEK

We propose that the President make a three-part announcement:

A. Support for free time

Announce support for a new public interest obligation, so that digital broadcasters would be required to provide free broadcast time to qualifying candidates. Such a requirement, if adopted by the FCC, would achieve a major goal of political reform, without waiting for campaign reform legislation.

- The details of how such a requirement would work would be up to this study group. Reed Hundt has proposed that digital broadcasters collectively be required to provide free time or its cash equivalent value totaling $1 billion for each two-year election cycle. The time and money would then be pooled in a "bank," and could be redeemed by federal candidates with vouchers issued to them, perhaps by the FEC.

- The speech and presentation of the proposal would stress that the free TV requirement would be consistent with McCain-Feingold, and does not substitute for the need to pass comprehensive campaign finance reform. We believe that moving forward by executive action will actually help build support for free TV, as well as showing seriousness.

- **Senator McCain has concerns about this proposal because he believes it will make it harder to attract other Republicans to support McCain-Feingold and will make it harder for broadcasters to accept the free TV provisions already in the bill. We are continuing to explore this issue with him and his staff.**

B. Head of advisory panel

The President could announce that he and the Vice-President have selected the head of the group whose formation was announced on February 5, and that the panel will report back to the Vice-President. The study group likely will need to be constituted as a committee under the Federal Advisory Committee Act. We cannot prejudge the outcome of the deliberations of this advisory committee. However, we can make our intentions clear by appointing a well-known supporter of free TV time for candidates.

The leading candidate to head the group appears to be Newton Minow, former Chairman of the FCC, who has been a leading advocate of improving the ways in which broadcasting serves the public interest. Other names that have been suggested are Kathleen Hall Jamieson, head of the Annenberg School of Communications, Walter Cronkite, who is co-chair of the free TV coalition; and Charlie Firestone, head of the Aspen Institute. A formal decision memorandum concerning this selection will come from Bob Nash.

C. Challenge to broadcasters

The President, in his remarks, could challenge the broadcasters to voluntarily provide free time to candidates, as Barry Diller has already urged.

- The Vice-President could explore whether other networks would be willing to join Diller's support of free time.

- A challenge would easily fit into the speech. It could be accompanied by praise for the broadcasters for providing free time to presidential candidates during the 1996 campaign.

- Again we would have to make sure that this is presented in a way that reinforces, rather than undercuts, McCain-Feingold.

III. RECOMMENDATIONS

1. **That the President announce his support for free TV time as a component of digital broadcasters' "public interest" obligation.**

____ Approve ____ Disapprove ____ Discuss further

2. **That the President and Vice-President announce the new head of the study group, presumably someone who supports this expanded "public interest" approach.**

____ Approve ____ Disapprove ____ Discuss further

3. **That the President, in his remarks, challenge the broadcasters to voluntarily provide free time to candidates.**

____ Approve ____ Disapprove ____ Discuss further

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE

WASHINGTON

March 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
HELEN HOWELL

Copied Sperling COS

SUBJECT: NEC decision memo on school construction initiative.

The attached Sperling memo outlines two options for dealing with the funds designated for states in your school construction initiative. The draft legislation is almost complete. Education and the NEC propose that 50% of funds be designated for the 100 school districts with the most children in poverty, and 50% for the states. Education and the NEC have agreed on the program's structure with regard to the funds for the school districts. However, there is some disagreement on whether or not to allocate a portion of the funding to states on a competitive basis, with the best state programs getting the most funds. Gene seeks a decision from you on that issue.

Background. The goal of the initiative you announced in July 1996 was to spend $5 billion over four years to spur $20 billion in school construction spending by subsidizing up to 50% of the interest on state or local school construction bonds, based on need. Since July, a joint Education/Treasury working group has held round tables with education groups, state and city school officials, state and local budget staff, facility planners, and investment bankers involved in local school financing. They learned that: there is no single reason for underinvestment in school infrastructure; local school finance systems vary greatly; and many needy school districts will have difficulty issuing additional bonds for school construction, but may have other financing alternatives. As a result, Education and the NEC propose that the program be more flexible in how the federal funds can be leveraged.

School districts' share. In the draft legislation, $750 million of the $2.5 billion designated for the school districts would be placed in a bonus pool to be awarded to the 20 or 30 districts whose proposals show the greatest need and ability to use federal funds to leverage new rehabilitation and construction funds from state, local and private sources. The remaining $1.75 billion would be made available to the 100 districts on the basis of Title 1 allocations, but to get the money, districts would have to demonstrate that the funds would be used to leverage other funds.

Options for dealing with designated state funds. There are two options for dealing with the $2.5 billion designated for the states: ***1)*** distribute all the money by a formula based on Title 1 allocations (although to get the money, states would have to demonstrate that they had a program to use the federal money to leverage other funds); or ***2)*** distribute most of the money by formula based on the Title 1 allocations, but set aside a bonus pool of approximately $750 million to be distributed based on Education's determination of which state programs are most effective in leveraging the federal funds to benefit the most needy students outside the 100 districts.

Sec. Riley opposes state competition (*option 2*) because it would generate opposition to the program for unduly interfering with state and local matters, and because it would put an administrative burden on the states and the Department of Education that would not be cost-efficient. Sec. Rubin thinks a competitive program (*option 2*) is better as a matter of policy and Gene agrees. Although some at Treasury are concerned that, even with a competitive design, this program will be viewed as a grant program that will not generate incremental spending, Gene believes that by challenging states and localities through the bonus pools to demonstrate how they will leverage the limited federal funds, we will be able to demonstrate the impact of the program on an anecdotal and widespread basis.

___ State share distributed by formula only ___ Include state bonus pool ___ Discuss

THE WHITE HOUSE

WASHINGTON

February 26, 1997

MEMORANDUM FOR **THE PRESIDENT**

FROM: **GENE SPERLING**

SUBJECT: **School Construction Initiative**

BACKGROUND

On July 11, 1996, you announced an initiative designed to help local communities and states rebuild the nation's schools. The goal was to spend $5 billion over four years to spur $20 billion in school construction spending. Since the announcement, an NEC/OMB/Education/Treasury team has been gathering further information, refining the program and drafting legislation.

As announced, the initiative contained the following elements:

- The federal government would subsidize up to 50% of the interest on state or local school construction bonds, based on need;

- Federal funds would leverage **additional** spending on school construction and rehabilitation, not substitute for already-planned spending;

- Most of the Federal money would be administered by the States, whose participation would be voluntary; and

- The 100-125 school districts with the largest number of children in poverty would apply directly to the Department of Education for the remainder of program funds.

In developing the initiative, the Administration made the following assumptions:

- Based on a recent GAO Report, states and localities (including school districts) underinvest in school infrastructure;

- The quality of school infrastructure is reflected in learning, and high quality, modern, energy-efficient schools are safer and cheaper to operate;

- The Federal Government could provide incentives for states and localities to increase investment in school rehabilitation and construction without getting involved in state and local decisions about building, repairing and financing schools; and

- Providing Federal incentives is preferable to imposing Federal regulations.

Since July, a joint Education/Treasury working group has held three public round tables, in Washington, D.C., San Francisco, and New York City. It has also met with the Council of Great City Schools in Ft. Lauderdale and the National League of Cities in Washington, D.C. Participants in these round tables included education public interest groups, state and city school officials, state and local budget staff, facility planners, state debt issuing agencies, representatives from Senator Moseley-Braun's and Representative Nita Lowey's office, and investment bankers involved in local school financing.

We learned that the local school finance systems vary across the country -- and in particular the degree of state involvement varies significantly; many school districts, particularly the most needy, will have difficulty issuing additional bonds for school construction, but may have other financing alternatives that could be leveraged with federal funds; and there is no single reason for underinvestment in school infrastructure.

PROGRAM OPTIONS

The Education Department has virtually completed the draft legislation. Based upon the information obtained in the roundtable discussions and further inter-agency discussions, the NEC principals believe that the program should continue to be focused on providing financial leverage for new construction and rehabilitation that communities will undertake largely with their own funds. However, we have also concluded while the original interest subsidy concept will work in many school districts, the program should be somewhat more flexible in how the federal funds can be leveraged. For example, purchase of bond insurance and capitalization of bond banks should be allowable purposes.

We also believe the program should incorporate a significant competitive element. Frankly, given the fact that expenditures on school construction and rehabilitation appear to have begun to increase without a federal program, it will be difficult to show that any formula-based program of this magnitude, when spread around the country, has made a real difference. Requiring localities -- and perhaps states -- to compete for some or all of the funds, will (i) generate more efficient, community-based proposals for use of the funds; (ii) make it more likely that the federal funds will indeed leverage **new** state and local (including private) funds for school construction; and (iii) distinguish this program from a traditional grant program, for which we believe there is little enthusiasm, given budgetary constraints and political constraints relating to local control. At the same time, we believe all large high-poverty school districts should be able to receive some funds, if they can demonstrate the funds will leverage new construction or rehabilitation. The Department of Education also believes all states should receive some funds.

We therefore propose that the program be structured as follows:

- 50% of the funds will be designated for states and 50% for the 100 school districts with the largest number of children in poverty. (The 100 districts have 32.8% of children in poverty, so a 50-50 split provides significantly more per poor child to the 100 districts than to the states.)
- Of the total of $2.5 billion designated for the 100 districts, $750 million would be placed in a bonus pool, to be awarded by the Department of Education to the 20 to 30 districts whose proposals show the greatest need and demonstrate the greatest ability to use federal funds to leverage new rehabilitation and construction funds from state, local and private sources to build or reconstruct safe, accessible, efficient schools that serve children in communities most in need. The remaining $1.75 billion would be made available to the 100 districts on the basis of the Title 1 allocations, but to get the money, the districts would have to demonstrate that the funds would be used to leverage other funds for new construction or rehabilitation.

There are two options for dealing with the $2.5 billion designated for the states (in all cases, states could choose to provide some of their funds to the 100 largest districts):

- Distribute all the money by a formula based on Title 1 allocations, although to get the money the states would have to demonstrate that they had a program to use the federal money to leverage other funds -- at the state or local level or both -- to increase school construction or rehabilitation beyond the pre-program level.; and
- Distribute most of the money by formula based on the Title 1 allocations, but set aside a bonus pool of approximately $750 million to be distributed on the basis of the Department of Education's determination of which state programs were most effective in leveraging the federal funds for new construction or rehabilitation for the most needy students outside of the 100 districts;

Secretary Riley opposes any sort of state competition because it would generate significant opposition to the program as unduly interfering in state and local matters. Moreover, he believes a competition would put a significant administrative burden on the states and the Department of Education, that would not be cost-efficient, given the size of the bonus pool. However, Secretary Riley thinks the bonus pool is an acceptable option if needed to assist in making clear the leveraged nature of the program. Secretary Rubin thinks a competitive program is better as a matter of policy, but acquieses in Secretary Riley's political and administrative judgment. Others at the Treasury Department are deeply concerned that this program, even with its competitive design, will be viewed as simply a grant program that will not generate incremental spending.

I understand that risk, particularly since it will be impossible to provide mathematical proof that this program, by itself, actually has resulted in incremental spending that would not have occurred otherwise. However, I also believe that, by challenging states and localities, though the bonus pools, to demonstrate how they will leverage the limited federal funds to generate a greater quanitity of new spending for construction and rehabilitation, we will be able to demonstrate the

incremental impact of the program on an anecdotal, but wide-spread, basis. I therefore recommend the bonus pool option.

CONCLUSION

We are poised to complete work on a well-constructed program to jump start school construction and rehabilitation through leverage of federal funds with state, local and private money. Our consultations have led us toward a more flexible program that can be beneficial to a wider range of school districts. If you approve the recommendations in this memo, we will be prepared to complete drafting quickly and start vetting on the Hill.

DECISION

_____ Complete drafting of program with state share being distributed by formula

_____ Complete drafting of program with state bonus pool

_____ See me for further discussions

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE

WASHINGTON

97 MAR 7 AM 11:25

March 7, 1997

cc: Vice President
Hilley
COS

RECOMMENDED TELEPHONE CALL

TO: Congressman Floyd Flake (D-NY)

DATE: No later than Friday, March 7, 1997

RECOMMENDED BY: John Hilley

PURPOSE: To offer condolences to Congressman Flake on the tragic accident involving four girls affiliated with the Allen African Methodist Episcopal Church.

BACKGROUND: Four girls were killed on their way to church school yesterday morning when a tree toppled and crushed them in the back of a van. The four girls attended school at the Allen African Methodist Episcopal Church, where Congressman Flake is a pastor. Four other children and two adults were also injured. The accident is being attributed to high winds, and a 1920's tree whose roots were cut by sidewalk workers last year. Please see the attached article.

CONTACT PERSON AND TELEPHONE NUMBER(S): Congressman Floyd Flake: (202)225-3461

DATE OF SUBMISSION: March 7, 1997

ACTION: _____

Tree Toppled by Wind Crushes 4 Girls in Church Van

6 Other People Are Hurt as Maple Falls Onto New York Street

A1

By ROBERT D. McFADDEN

Four girls in the back of a van, going to a church school — one wearing headphones, listening to music, others cradling knapsacks and lunch bags — were killed yesterday morning when a swaying silver maple seven stories tall toppled over in a gale and crushed them on a residential street in Queens.

Four other children and two adults were injured in what officials called a tragic accident they attributed to 60-mile-an-hour winds, a 1920's tree whose roots were cut by sidewalk workers last year and the chance-in-a-million passing of the van on its way to the Allen Christian School in Jamaica, Queens, affiliated with the Allen African Methodist Episcopal Church, whose pastor is Representative Floyd H. Flake.

On a day when high winds caused havoc across the region, killing at least one other person, witnesses told of howling gusts and a roar like thunder as the great maple, 70 feet tall and 4 feet in diameter, came down across Francis Lewis Boulevard, near 131st Avenue in Laurelton, at 7:15 A.M., and smashed in the back of the Dodge Ram, which was carrying eight children from 4 to 14 years old and two adults.

The driver, Maxine Capers, 61, shrieked: "Get the babies out! Get the babies out!" as she crawled bleeding from the wrecked van, its front end lifted a foot off the ground like a see-saw. Her husband, Sam Capers, 64, came out the passenger side, sobbing and praying, "Oh God help us, have mercy!"

Neighbors rushed from houses, some in undershirts and nightgowns, and helped to pry open the doors and pull out three girls and a boy, bleeding and crying, from the middle seat. But even as emergency police units with chain saws and other equipment arrived, it was apparent there was no hope for those under the back roof, flattened and mangled by the tree trunk's enormous blow.

"In the back seat, four girls, they were dead," Jessie Mace said, choking back tears at a memory of crumpled children, 9 to 12, in the yellow blouses and dark pleated skirts that were their school uniforms.

"I saw three of the children taken out, none alive," Sharon Edwards, 29, said as the terrible images rushed back. "And the book bags. Seven school bags and lunch bags. One girl with her right shoe on, carried to an ambulance."

Patricia Austin, a neighbor, could hardly bear to remember: "I saw a little girl's hand sticking out of the wagon, and then a fireman pried her out. She looked like a little rag doll. She was dressed beautifully. They laid her on a stretcher and covered her face. It was so upsetting, so heartbreaking."

Afterward, some neighbors said the city had failed to respond to their concerns in recent years about the tree that fell. City officials said that their records showed that someone had requested an inspection of the tree in June 1993, but that it was never inspected because the caller did not say it posed an immediate

Continued on Page A26, Column 1

Continued From Page A1

hazard. After an examination by experts, the officials acknowledged that the maple showed some signs of termite damage and that its roots had been slightly cut by unauthorized sidewalk repairs last year. But they insisted that the tree was basically healthy, had even budded recently, and that its old age and large crown, acting like a sail in the wind, was most likely to blame.

They emphasized that the cause of the collapse was under investigation.

As families and friends of the victims tried to cope with the unspeakable and as officials tried to determine why it happened, winds clocked at gale force blasted across the metropolitan area all day, killing one other person, felling scores of trees and utility lines, cutting off power to more than 100,000 suburban homes and disrupting subway service and highway and air travel.

Gusts of more than 60 m.p.h. uproot nearly 200 trees in New York City.

The National Weather Service reported gusts of 61 miles an hour at Kennedy International Airport, two miles south of the fatal accident in Laurelton, and gusts nearly as strong at La Guardia and Newark International Airports. Many flights were delayed, speeds on bridges and roads were cut to a crawl and No. 2 subway service in the Bronx was out for two hours after winds blew the canopy off an elevated station at Allerton Avenue.

In Scarsdale, a 20-year-old White Plains man, Richard Espichan, was

The New York Times
FRIDAY, MARCH 7, 1997

1/2

Rahm / McCurry / Lewis / Ruff
Eff - BC

THE PRESIDENT HAS SEEN
3-10-97

Copied
Emanuel
McCurry
A. Lewis
Ruff
COS

It's rare for the Chicago Trib to support the POTUS.

Chicago Tribune, Friday, February 21, 1997

Give Clinton his due on judges

Back in 1981, when the Democratic Congress resisted some of the changes in policy and personnel urged by President Reagan, conservatives had a favorite retort: Maybe you've forgotten that we had a presidential election last year and you lost.

Reagan had a mandate to make changes, they argued, and Congress should not stand in the way. But now that it's Bill Clinton who has the mandate and the GOP that controls Congress, Republicans see things a bit differently.

On the matter of judicial vacancies, that means a great deal of conflict lies ahead. Most of the judges now on the federal bench were appointed by Republicans, but before he leaves office Clinton may get to appoint more than any president before—as many as 400, which is nearly half of all the slots.

Aghast at the prospect that Clinton will actually get to fill all these vacancies with candidates reflecting his own philosophy—who does he think he is, Ronald Reagan?—Republicans are mobilizing for obstruction.

This may take three forms. One idea being considered by GOP senators is to demand control over a share of appointments, perhaps as many as half.

Another is delay. Last year, for the first time in this century, the Senate didn't confirm any judges for the appeals courts, and it approved only 17 district judges. Some Clinton nominees have been on hold for years. Nearly two dozen vacancies regarded as "emergencies" by the Administrative Office of the U.S. Courts have yet to be filled. But Republican leaders indicate they have no intention of speeding things up.

A third, the project of Iowa Sen. Charles Grassley, is to simply refuse to fill some judgeships he regards as unneeded. Grassley thinks the judicial branch, like the rest of the federal government, could use some budget-cutting and downsizing, so he wants the Senate to leave them vacant.

On all three counts, the Republicans are in the wrong. Presidents pick judges, not the Senate, and Reagan would never have given the Senate the right to make judicial selections. The courts are already overburdened—the civil backlog has grown by more than a quarter since 1990—and deliberate foot-dragging by the Senate further frustrates the administration of justice. If some judgeships are unneeded, Sen. Grassley should introduce legislation to abolish them.

In their uncooperative behavior, he and his colleagues are doing the country a disservice and inviting public censure. Someday, Republicans will elect another president, who will have the prerogative of choosing judges more to their liking. Until then, GOP senators should concede Clinton his rightful role.

Editorial

Berger

THE PRESIDENT HAS SEEN COS

2-10-97

THE WHITE HOUSE

WASHINGTON

March 10, 1997

MR. PRESIDENT:

You signed an Executive Order in August 1995, that among other things, directed the establishment of a uniform personnel security program for government employees/contractors who have access to classified information. The EO established a Security Policy Board to make recommendations to you. In the attached memo, Sandy Berger recommends that you approve adoption of certain policies as recommended by the Board.

The recommendations fall under three areas:

- *Adjudicative Guidelines* - using these guidelines, U.S. decision makers will issue or withhold clearances based on a number of variables called the "whole person concept, " i.e, basing the decision on conduct, weighing all positive and negative factors. Doubt is resolved in favor of national security.
- *Investigative Standards* - background investigations will be based on uniform criteria across the government.
- *Temporary Eligibility Investigative Standards* - there will be a set of minimum standards for temporary clearances before full access to classified material is granted.

The Board sought the views of interested parties outside and inside the government including the ABA, Congressional staff and government unions. The guidelines were then reviewed and approved by Counsel and NSC.

__ Approve guidelines and standards ___ Disapprove ___ Discuss

Phil Caplan

THE PRESIDENT HAS SEEN 3869

97 FEB 20 AM 8:15

THE WHITE HOUSE

WASHINGTON

January 27, 1997

ACTION

~~97 JAN 27 AM 10:17~~

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER

SUBJECT: Implementation of Executive Order 12968

Purpose

To obtain your approval for adoption of security policies relating to background investigations, granting of clearances and temporary eligibility, as recommended by the Security Policy Board.

Background

Based on E.O. 12968, Access to Classified Information, an interagency group, working under the Security Policy Board, has composed, and the Board has recommended that you adopt, the following, relating to access to classified information:

- Adjudicative Guidelines (for granting clearances)
- Temporary Eligibility Standards
- Background Investigations Standards

During the process, the Board sought the views of interested parties outside and inside government, including the American Bar Association, professional security organizations, Congressional staff and government unions. Based on input from legal and policy advisors at the NSC and the White House, including Counsel Jack Quinn, further edits were made, to clarify and improve the text.

Upon your approval, I will transmit the approved Guidelines and Standards to the Security Policy Board with instructions to promulgate them and report back in one year through the National Security Advisor to you on their efficiency, effectiveness, compliance and any adjustments needed.

cc: Vice President
Chief of Staff

Recent espionage cases make this an excellent time for immediate implementation of these Guidelines and Standards. They can, of course, be amended as appropriate.

RECOMMENDATION

That you approve the Guidelines and Standards. Upon your approval, I will transmit them to the Security Policy Board.

Approve _____

Disapprove _____

Attachments
Tab A Adjudicative Guidelines
Tab B Temporary Eligibility Investigative Standards
Tab C Investigative Standards for Background Investigation

SUMMARY

Adjudicative Guidelines

Using these guidelines, U.S. Government adjudicators will make decisions to issue, withhold or rescind security clearances for applicants, government employees or cleared contractors. Using the "whole person concept," the adjudicator bases the decision on conduct, weighing all the positive and negative factors. Doubt is resolved in favor of national security. Specific guidance is provided on allegiance to the U.S.; foreign influence; foreign preference; sexual behavior; personal conduct; financial considerations; alcohol consumption; drug involvement; emotional, mental and personality disorders; criminal conduct; security violations; outside activities; and misuse of information technology systems. With each behavior, degree of seriousness and mitigating data are to be considered.

Investigative Standards

Background investigations for access to classified information by all cleared Americans will be based on these criteria, which are fully reciprocal among all agencies. Three standards are set: secret and confidential; top secret and compartmented; and for reinvestigation at top secret. A chart in the appendix shows when to use each standard. Separation from U.S. Government less than two years only requires updated forms, if the person still meets the standards. All standards include a completed background form, national agency check, FBI and other logical agencies checks. Secret clearances or below also require financial review, corroboration of birth and local law enforcement agency checks for the past five years. Top secret level requires a single scope background investigation, including verification of education, employment, references and former spouse interviews, neighborhood checks for the past three years, interview and, where agencies require it, a polygraph. Reinvestigations every five years for top secret are similar. All investigations may be expanded, based on issues devoped.

Temporary Eligibility Investigative Standards

Minimum standards for temporary clearances allow access before completion of investigation and adjudication. Forms must be reviewed and expedited investigations requested. For top secret, FBI and appropriate agency checks must also be done. Agency heads may require additional steps, based on sensitivity.

UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

February 5, 1997

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500

'97 MAR 7 PM7:58

Dear Mr. President:

A dear friend of the Riley family, Wynette D. Dreher, has written the enclosed book in memory of her husband, Thurmond Dreher. Thurmond was a victim of Amyotrophic Lateral Sclerosis, more commonly known as Lou Gehrig's Disease.

Wynette has asked me to provide this copy of her book to you and the First Lady. I am sure you will find her love of family and faith in God inspiring, as do we.

Yours sincerely,

Dick

Richard W. Riley

cc: Wynette Dreher
2803 Grace Street
Columbia, South Carolina 29201

MAR 3

JIM DORSKIND:
Please coordinate the reply.

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

Wynette D. Dreher

AN ALS VICTIM

THE WHITE HOUSE
WASHINGTON

March 5, 1997

Called and left word w/ Political Affairs that call was made -

Mr. President:

We will have a letter prepared for Mr. Harmon as well.

Copied
Smith
Moore
COS

Phil Caplan

I should call Turish Bradley for his views & suggestions -

THE PRESIDENT HAS SEEN
3-10-97

JIM DORSKIND:

Please coordinate the reply.

THE PRESIDENT HAS SEEN
3-10-97

THE WHITE HOUSE

WASHINGTON

March 5, 1997

'97 MAR 5 AM11:52

RECOMMENDED TELEPHONE CALL

TO:	Clarence Harmon Campaign Office: (314) 361-2700 Home: (314) 772-8575
DATE:	March 5, 1997
RECOMMENDED BY:	Craig Smith and Linda Moore
PURPOSE:	To congratulate him on his victory in the St. Louis mayoral Democratic primary. The demographics of the city are such that the Democratic nominee is virtually assured of victory in the general election to be held on April 1.
BACKGROUND:	Former St. Louis Police Chief Clarence Harmon received 56,894 votes (56.44%); Mayor Freeman Bosley received 43,150 (42.81%). The winner of the Republican primary, Jay Dearing, received 508 votes (37.69%). In a bitter, hard-fought contest, Harmon charged that Bosley's administration is inept and corrupt. The *St. Louis Post Dispatch*, which has always been very critical of Mayor Bosley, echoed this message daily. Some of Bosley's supporters charged that Harmon is "too white." (Both candidates are African American. Harmon's wife is White.) You may recall that Harmon participated in a crime event with you in the Fox Park neighborhood in June, 1994. Also, he attended a dinner you hosted at the White House in 1995. Last year, he submitted a white paper on crime for your review which was forwarded to the Domestic Policy Council.
TOPICS OF DISCUSSION:	Congratulate him on his victory and tell him you look forward to working with him.
DATE OF SUBMISSION:	March 5, 1997
ACTION:	_____ _____ _____

THE PRESIDENT HAS SEEN
3-10-97

JIM DORSKIND:

Please coordinate the reply.

CJS

STATE OF MICHIGAN
HOUSE OF REPRESENTATIVES
OFFICE OF REPRESENTATIVE MARK SCHAUER

JENNIFER J. JOHNSON
LEGISLATIVE ASSISTANT

P.O. BOX 30014
LANSING, MICHIGAN 48909-7514

(517) 373-0555

Anyone can be a person of vision.
It takes a leader with courage
and commitment to convert
Vision into reality.

Your dedication to public service
and your country is an inspiration
to this staffer.

THE PRESIDENT HAS SEEN
3-10-97

I have believed for some time that the Capital gains tax, As it relates to family owned small businesses and farms, should be changed. These enities are often high in assets and low in available cash to facilitate the transfer to the next generation. Yet, it is these family owned businesses that make our Rural communities so strong and add stability to them. Hard work and risk need to be rewarded and encouraged.

Thank you. I consider myself very fortunate to have had the privilege to serve the people of Michigan in this historic moment in history.

DIANNE BYRUM
State Senator - Lansing, MI
PO Box 30036
Lansing, MI 48909

P.S.
I participated on the panel in Ames, Iowa for your "Rural Conference."

JIM DORSKIND:

Please coordinate the reply.

- will to reply
- in reply she's thanking

THE PRESIDENT HAS SEEN
3-10-97

HONDA mazda ISUZU

Tarek Olabi
BUSINESS MANAGER
OPEN ROAD
50 ROUTE 1
EDISON, N.J. 08817
(908) 985-0290 (x509)
FAX (908) 985-9387

3-10-97

Send to Political?

Yes - ✓

No ____

GOD Bless America & GOD Bless You I need a Job any where working for you, So OUR American Dream can come true - thank you >

GOS

THE WHITE HOUSE

WASHINGTON

DATE: March 10, 1997

NOTE FOR: The Honorable Robert E. Rubin

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

Information [X]

Action [ ]

Thank you.

Staff Secretary
(x6-2702)

cc:

3/10/97

Todd -
After you have reviewed,
I will dispatch.

C.

Give copy to Gene Sperling also. Thx

THE PRESIDENT HAS SEEN
3-10-97

March 7, 1997

MEMORANDUM FOR PRESIDENT CLINTON

FROM: Franklin D. Raines
Robert E. Rubin R.E.R.

SUBJECT: D.C. Economic Development Plan

We have now finalized the details of your economic development plan for the District of Columbia. You are scheduled to announce the plan at the White House on Tuesday, March 11.

The plan is designed to complement the other elements of your "National Capital Revitalization and Self-Government Improvement Plan." It responds to the unique needs of the District of Columbia, draws on the best features of successful economic development models in other cities, and builds on the Administration's urban agenda.

The plan includes $235 million in federal tax incentives and $50 million in initial capitalization of a new D.C. economic development corporation. The plan includes incentives focused on D.C.'s distressed areas, as well as flexible tools that can be used for downtown and other development. The main elements of the plan include:

A new "D.C. Jobs Credit." The plan would provide a 40 percent tax credit on the first $10,000 of eligible wages (including employer-provided health care, dependent care, and educational assistance) in the first year of employment,. The D.C. Jobs Credit would be available to businesses located in D.C. that hire low or moderate income District residents living in a census tract with a poverty rate of at least 15 percent, and certain other disadvantaged D.C. residents. This Jobs Credit builds on the Empowerment Zone Wage Credit, as well as the Work Opportunity Tax Credit passed last year, and on your proposed Welfare to Work Tax Credit. In addition to the Jobs Credit -- which would be used by tax-paying entities -- your plan includes $20 million to support related job creation efforts by non-profit groups (see "Economic Development Corporation" below).

A new "D.C. Capital Credit." The plan would provide $95 million in tax credits for investment in and loans to D.C. businesses. The credits would be worth up to 25 percent of the amount invested or loaned. A new D.C. Economic Development Corporation (EDC) would be created and given the authority to allocate these credits. The EDC would drive deals and spur development by getting investors and lenders to compete for the credits. The EDC would base its decisions on such factors as the likelihood of success of the venture, its contribution to D.C.'s revitalization, the provision of jobs for low and moderate income residents, and whether the business is located in a distressed area. This allocated tax credit represents an innovative new approach, similar in design structure to the equity incentive for community development financial institutions that you proposed last August.

Additional Expensing. To bolster small businesses in the District, the plan proposes a roughly $20 million tax incentive, to permit eligible small businesses in distressed areas to deduct up to $20,000 in additional expenses per year for certain equipment costs. The expensing provision is similar to, but less restrictive than, that contained in the Empowerment Zone legislation.

Private Activity Bonds. The EDC would also be given the authority to issue a new, broader category of tax-exempt private activity bonds to finance businesses located in distressed areas in D.C. Eligible businesses, including commercial and retail facilities, must be located in census tracts with a poverty rate of at least 15 percent, and have a workforce at least 35 percent of which is made up of District residents. Again, this provision is similar to, but less restrictive, than that found in the Empowerment Zone legislation.

Economic Development Corporation. Your plan would create a new Economic Development Corporation (EDC), a non-federal corporation, as an instrumentality of the D.C. government. The EDC would be governed by a nine member Board of Directors, seven of whom would be appointed by you. The Mayor would appoint one member, and the D.C. Financial Authority the remaining member. A majority of the Board will be drawn from private sector business and community leadership. The EDC would be run by a Chief Executive Officer and served by a professional staff. One member of the EDC Board would also serve on the Board of the National Capital Infrastructure Authority.

Building on work done by a number of District groups, the EDC would develop an economic development strategy for D.C., coordinate the implementation of large-scale development projects, support efforts to create jobs and business opportunities for distressed neighborhoods and low-income District residents, and connect D.C. development efforts to regional growth.

The EDC would be capitalized by the federal government with a one-time investment of $50 million. The EDC would use these funds for planning, project development, and operating costs. Of this amount, $20 million would be available for funding innovative job strategies by D.C. nonprofits, in a similar manner to the way in which the D.C. Jobs Credit is available to for-profit entities. The federal government would also transfer ownership interests or development rights to certain parcels of land to the EDC.

The EDC would be given the authority to spur development with federal tax credits for loans and investment and new tax-exempt private activity bonds, and would have the authority to finance projects in the market by issuing project revenue bonds. The EDC would also have a number of other important powers, including the right to exercise eminent domain, the ability to seek expedited review by the D.C. government of development projects, and the ability to acquire and dispose of land. As part of the Memorandum of Understanding with the Federal government, the District government will commit to achieve reforms with respect to permitting, licensing and zoning and to cooperate fully with the EDC.

Challenge Committee. We suggest that at Tuesday's announcement, you call on business and community leaders to form a Challenge Committee to bring the D.C. and regional community together behind your plan and to build the consensus necessary to make the new Economic Development Corporation work effectively. The Committee would report back to you in 60 days on their progress. The Booster Committee was conceived so that progress may be made toward implementing your D.C. plan even before the legislation is passed and the EDC up and running.

THE PRESIDENT HAS SEEN 3-10-97 — Bill Lott BZ

My Night In the Lincoln Bedroom

By John Guare

CSA Archive

Last Wednesday, I read the list of fat cats who had stayed overnight at the White House since 1992. How much had they paid to stay there? I was prepared to be shocked. Then I saw my wife's name. And mine. Yes. Will there be a Senate investigation of the people who stayed there? How will I explain my sleepover to Senator Alfonse D'Amato?

Scene: A Senate hearing room. Yes, we had stayed overnight at the White House — yes, in the Lincoln Bedroom. Yes, I was a donor. In 1992, I gave $25 to the Clinton campaign. In 1993, my wife, Adele Chatfield-Taylor, and I were invited to a dinner at the White House. No, we didn't know the Clintons. Why was the President trying to get on my good side? I don't know. We were among a hundred who were invited that evening. No sir, no heads of state, no stars, no speeches. Yes, the food was good.

Who else was there? I remember meeting Margaret Truman. Is she an arms dealer? I don't know. She was staying overnight in Lincoln's bedroom and that was the first night she had been back to the White House since she had lived there. Our favorite moment was falling into a walk around the second floor with the President, alone for some reason, and having him point out to us his favorite picture of Abraham Lincoln, with no beard, but with the brains and the weight of the world on his shoulders.

After dinner, the Marine Corps Band played for dancing. Adele, believing that opportunity knocks over and over, told Mr. Clinton that as President of the American Academy in Rome, she had a dream that he would hand out the coveted Rome Prize to the winning painters, composers, writers and scholars from across America on the occasion of the academy's 100th birthday in April 1994. And President Clinton said sure. She slipped no envelope into his pocket.

We said good night and, six months later, Adele's wish actually was granted. The ceremony would take place in the East Wing of the White House. Two days before the event, a White House aide, Carolyn Huber, called Adele and said since we were coming down for the ceremony, why didn't we just stay over the night before? Wouldn't that be easier? Well, of course, yes!

So on April 20, 1994, we checked into the Lincoln Bedroom. No, we weren't asked for any donations. I'm tall and I've never stretched out in a longer bed than Lincoln's. We looked at the Gettysburg Address on display. No, there didn't seem to be any price tags hanging off it.

Ms. Huber said the President and Mrs. Clinton were having a quiet dinner at home that evening and would we stay? We had to go to the National Gallery for the 100th anniversary gala but may we join them for coffee around 10 P.M.? Fine. We dreamed of our dazzling after-dinner conversation where we would instruct the President on world policy.

It was now 8:30 P.M. Adele and an Italian dignitary gave their salutes, lickety-split. So far so good.

> No, we didn't have to give $250,000 to get pancakes.

8:45. We'll be home with the President before they start the soup. (Mr. President, let me explain Bosnia to you.) Next speaker, on and off, one-two-three.

8:55. Piece of cake. (And while we're at it, Mr. President, the arts funding . . .) And then the last speaker of the evening got up and said, "At this momentous time in history, let us review the architecture of the past."

At 10, he said, "By now it was 1937." We still had a world war to go through. At 10:45, he was up to the 60's. We looked at our watches in horror. Do you know the Luis Buñuel movie where the guests are trapped for eternity at a dinner party? A capsule in space had more chance of escape.

The speaker finally reached the present. Maybe it was the greatest speech ever given. As the audience clapped, we ran out. Our hosts need us! History needs us! We got to the White House, checked through security — hurry, hurry, we live here! — and ran in the south entrance. Taylor Branch, the historian, was coming out: "They couldn't wait up any longer. They went to bed."

We walked down the halls. We knew our way. It was late. It was dark. We went into the Lincoln Bedroom. We took the card from the pillow on Lincoln's rosewood bed asking what we wanted for breakfast and put it outside the door. No, there was no request for $250,000 for pancakes, 300 thou with sausages.

We heard a door shut. Did the eyes on Lincoln's portrait move? No. All was quiet. The White House at midnight, in spite of its magnificence, seemed like, well, a house where people lived who had just turned in.

We tried to make some sense of it all, laughed with surreal glee and fell asleep. No, Senator Lott, at no time did Al Gore and a band of monks wake us up demanding hundreds of thousands of dollars if we wanted to sleep the night through.

The next morning, after breakfast, we went out in the hall and bumped into Hillary Clinton. She said, "We waited up for you. What happened?"

We had coffee with her before she went into a press conference. Richard Nixon was gravely ill. The President would have to stay by the phone. Later that day, Mrs. Clinton, in his place, gave out the Rome prizes. Everyone was very happy.

We tried to explain to Mrs. Clinton we were not leaving. This was our home. But we went back to New York. I prayed for people to ask me where we had stayed; it's a hard fact to cram into casual conversation. But of course no one did until now. Yes, Senator, we gave $25 to the 1996 Clinton campaign to insure our future access, but we haven't been asked back yet.

What do we think? Every time we see a picture of the White House taken from the South Lawn, we point to the Lincoln window. That's our room.

And you know what? It is. □

John Guare, a playwright, is the author of "Six Degrees of Separation."

3-10-97

Who should do thank you — Dorskind?

Yes ___

No ✓

C ✓

Political? Yes ___

No ___ C