THE WHITE HOUSE
WASHINGTON

DATE: 5/14/97

NOTE FOR: Mr. Mark Penn

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

Information ☒
Action ☐

Mr. Mark Penn
805 15th Street, NW
Washington, D.C. 20005

Thank you.

Staff Secretary
(x6-2702)

cc:

Chron

Reed/McBride

- should consider talking this issue to school boards encouraging -
- good follow up to summit
- I could virtually send Board chairs or meet at convention or both — PK

Copied
Reed
COS

THE PRESIDENT HAS SEEN
5/14/97

epidemic ... and drugs

Community service gains favor with school boards

THE PRESIDENT HAS SEEN

5/14/97

By Tamara Henry
USA TODAY

Only one state requires community service for high school graduates, but the idea has caught the fancy of school board members nationwide.

The National School Boards Association (NSBA) queried 6,000 of its members attending a convention recently in Anaheim, Calif., and announced that 71% favor the idea, 20% oppose it and 9% remain uncertain.

The survey results are reinforced by a new study from the U.S. Department of Education that says 93% of teen-agers who were asked to volunteer actually did, compared with 24% of those who were not asked.

The department's study by the National Center for Education Statistics examined data from the *1996 National Household Education Survey, Youth Civic Involvement*, in which 8,000 students in grades six through 12 were asked about their participation in community service activities.

At the time of the interview, 49% of the students reported being involved in community service during the 1995-96 school year. Twenty-six percent said they participate regularly. The most important factor in student participation appeared to be whether schools arranged or offered community service.

The NSBA survey was released about the same time that President Clinton held a volunteerism summit in Philadelphia. NSBA's Anne Bryant says she was "quite surprised by the high number" of those at the school board convention in favor of a community service requirement because "there's a lot of discussion around, 'Is volunteer and require-ment an oxymoron?' "

Bryant adds the results "reinforce that the NSBA and school board members in general believe in volunteerism." She says they understand it can add another facet to the academic side of education as well as teach discipline, consistency and responsibility.

"I think that those are values that schools can teach and want to teach," Bryant says.

Maryland is the only state to require community service to graduate from high school. The Education Commission of the States (ECS) says Minnesota, Delaware, Vermont, Pennsylvania and New York encourage such actions. Arkansas students earn one credit after 75 hours of service. Connecticut offers funds to districts that develop and test programs. Wisconsin has a law that gives school boards the authority to make such a requirement, the ECS says.

The survey also found:

- 49% favor school boards contracting with private business to provide parts of the instructional program; 37% oppose.
- 76% oppose school boards contracting with private business to provide management of the entire school system; 13% favor.
- 69% say it's a low priority that students have charter schools as one of their choices of education opportunities; 24% says it's a high priority.
- 53% favor offering some classes in a single-sex environment in the school district; 32% oppose.

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Shallow science

Students lacking complete grasp

By Tamara Henry
USA TODAY

WASHINGTON — By the end of high school, most U.S. students have some grasp of basic scientific facts and principles, but few can actually apply the information to design experiments or clearly explain their reasoning, a government study shows.

The Nation's Report Card, administered by the National Assessment of Educational Progress (NAEP), provides an in-depth look at what U.S. students know in grades four, eight and 12.

Science is one of several subjects assessed periodically; the latest test was revised to require students to perform at least one hands-on experiment, as well as answer essential questions.

"America has the best science in the world," says Education Secretary Richard Riley, "yet the lack of knowledge about science among some of our students is troubling. This tough, new test is going to notch up what our young people know about science, and it is long overdue."

In experiment after experiment, educators said, high school seniors could follow instructions to perform a task, but only about one-quarter wrote instructions clear enough to enable someone else to successfully follow them. In most instances, students left out pertinent details or key information.

The study shows that of the volunteering 40 states, the District of Columbia, Guam and Department of Defense schools:

- 19 had eighth-grade scores that were higher than the national average of 148. Maine, North Dakota, Montana, Wisconsin and Minnesota led the list.
- 11 placed around the national average. Missouri's average was 151, Washington state, 150, Virginia and Rhode Island, 149.
- 14 fell below. Arkansas had 144, Tennessee, 143, Florida, Georgia and Delaware, 142 each.

Private school students generally outperformed those in public schools. The one exception: the top 10% of 12th-graders, among whom performance in both private and public schools was the same.

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U.S. Department of Justice

Office of Justice Programs

Office for Victims of Crime

'97 MAY 13 PM4:42

May 12, 1997

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

With a deep sense of gratitude and accomplishment, I write to inform you of my resignation as Director of the Office for Victims of Crime (OVC) in the Justice Department. As you know, my husband, Geoffrey Cowan, returned to Los Angeles last December to become Dean of the USC Annenberg School for Communication after serving as the Director of the Voice of America. While I love my job, it is time to reunite our family in the same city.

I will always be grateful to you for allowing me to culminate 20 years of work in California on behalf of crime victims by serving in a National position of such importance. It has been a true honor to be a part of your Administration which has advocated and achieved so many crucial criminal justice reforms benefitting victims of crime. To facilitate continuity, I will try to continue in my current position until my successor has been appointed by you and confirmed by the Senate.

I have especially appreciated the opportunity to work closely with White House personnel to advance a Victims' Rights Constitutional Amendment and to develop programs highlighted in your October 26, 1996, radio address, to provide comprehensive services to the often forgotten victims of gang violence. A few examples of OVC's other recent accomplishments include:

- **Unprecedented Funding for Crime Victims Programs** - The OVC-administered Crime Victims Fund, derived from fines against Federal criminal offenders -- not taxpayers -- reached an historic level of $528.9 million in 1996, enabling OVC to distribute three times more Federal victim assistance dollars to States than ever before.

- **Comprehensive Support for Oklahoma City Bombing Victims** - The enactment of the Antiterrorism Law enabled OVC to provide major support for victims of terrorist acts, including funding for additional advocates, crisis counseling, safe havens, and travel expenses to court proceedings for Oklahoma City bombing victims.

- **National Crime Victims Agenda** - Within the next few months, we will release the *National Agenda for Victims' Rights and Services: An Action Plan for the 21st Century*, which has been compiled by leaders in the field and will serve as a guide to providing comprehensive victims' rights and services well into the next century. The Agenda will update the landmark *1982 President's Task Force on Victims of Crime Final Report,* describe "promising practices" used around the country to facilitate implementation of victims' rights and services, and propose numerous recommendations to improve the system.

- **Federal System Improvements** - In response to your June 27, 1996, directive to the Attorney General to improve the treatment of victims in the Federal system, OVC has developed a comprehensive action plan that included convening the first National Symposium on Victims of Federal Crime, which provided intensive training to nearly 1,000 key Federal employees, and producing a training video on victim-witness issues to be viewed by all Department of Justice personnel.

- **National Victim Assistance Academy** - The OVC-funded National Victim Assistance Academy, the first Federal training center for victim advocates, is entering its third successful year by providing comprehensive state-of-the art training to hundreds of victim service providers across the country at four universities simultaneously.

- **International Leadership** - OVC is playing a major leadership role in the development of an International Victim Assistance Training Manual to implement the *U.N. Declaration of Basic Principles of Justice for Victims of Crime and Abuse of Power* and is working closely with the State Department to ensure quality services to Americans victimized abroad.

To me, the most extraordinary part of this job has been the constant interaction that I have had with crime victims themselves, some of whom you have met during National Crime Victims' Rights Week -- people like Cheryl Bess who, despite being raped, disfigured, and blinded by acid at the age of 12, has become a strong victim advocate in California, a radio talk show host, and a gospel singer; Marilyn Smith, who founded a comprehensive victim service program in Seattle for deaf and deaf-blind victims after trying unsuccessfully to find services herself as a deaf sexual assault victim; and Azim Khamisa,

who joined with the grandfather of the 13-year-old gang member that murdered his son to provide gang prevention programs in San Diego schools.

Countless crime victims across America have turned their agony into activism -- helping to establish effective prevention and treatment programs in their own communities. They will continue to be a constant source of inspiration to me throughout my life for they truly demonstrate that the human spirit can overcome any obstacle. I hope that, in the near future, their remarkable work will be highlighted at a White House ceremony or conference.

I was recently quoted in the attached front page *Washington Post* article as saying, "I think I have the best job in all of government." Thank you for this extraordinary opportunity to serve and for your dedication and commitment to ensuring justice and healing for victims of crime.

Respectfully,

Aileen Adams
Director

Enclosure

The Washington Post

SUNDAY, FEBRUARY 2, 1997

How Penalties Become Pay-Back

Fines From Convictions Are Funding Aid for Victims

By Sharon Walsh
Washington Post Staff Writer

In Oklahoma City, 1,200 family members and survivors of the bombing of the Alfred P. Murrah Federal Building are kept posted on the progress of the criminal case and provided with counseling.

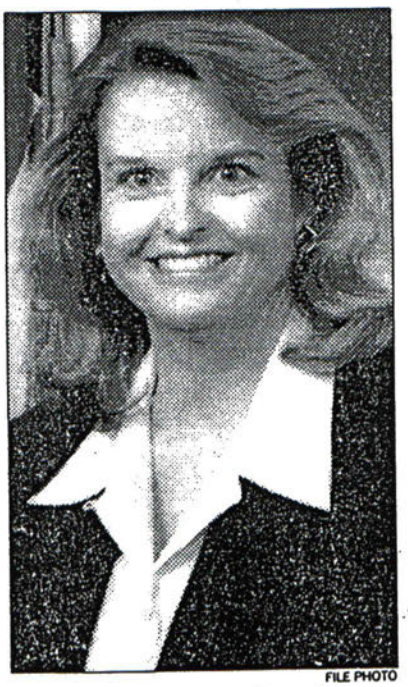
In Alexandria, a 23-year-old deaf woman who was abducted near the Braddock Road Metro station is provided with an interpreter for her interviews with prosecutors.

In California, a man whose son was murdered by a gang member and the grandfather of the killer join together to teach school children about the dangers of gangs and help victims of gang crimes.

What makes these activities remarkable is the way they are financed. The money comes from huge corporations and individuals convicted of federal crimes—not from taxpayers.

When Japanese financial giant Daiwa Bank paid a $340 million criminal fine for failing to tell U.S. banking regulators about major bond trading losses, for example, the money went to the U.S. Treasury and was deposited into the Crime Victims Fund, a coffer authorized by the Victims of Crime Act of 1984.

The fund is overseen by Aileen Adams of the Justice Department, who doles out money to states according to population. It is state officials who are responsible for finding victims and easing their pain with financial help—



FILE PHOTO

Justice Department's Aileen Adams oversees victims relief program.

about 2 million people benefit from the fund each year, Adams said.

The fund has grown by 250 percent over the past four years, reaching its highest level in 1996, $528.9 million, which will be distributed this year. That amount does not include two recent penalties that will enrich the fund this year—a $100 million fine paid by agricultural firm Archer Daniels Midland Inc. and a $50 million fine to be paid by citric acid maker Haarmann & Reimer Corp., both for criminal price-fixing.

In addition to fines for corporate crimes, the fund receives money from penalties and bond forfeitures from individuals who are convicted of federal crimes.

"Thanks to a Japanese bank, we'll get three times as much money this year" as last year, said Virginia Coscia, the victim-witness program coordinator in Alexandria. "If big companies keep paying these huge fines, we won't have to worry about our funding."

Coscia said she had just returned from Alexandria federal court, where she accompanied the 23-year-old deaf woman to the trial of her accused abductor. He was convicted of abduction with intent to defile and could be sentenced to 20 years to life imprisonment. If the young woman had required medical treatment or counseling or if she couldn't work because of injuries from the crime, the fund also could pay those costs.

"There's just not enough I can say about the good these funds do," Coscia said.

The fund is administered by the Justice Department's Office for Victims of Crime (OVC). Under the

See VICTIMS, A25, Col. 1

Antiterrorism Act of 1996, the fund also provides money to help victims of mass crimes and terrorism, such as the Oklahoma City bombing.

"I think I have the best job in all of government," said Adams, director of OVC and formerly legal counsel to the Los Angeles County Rape Treatment Center. Though states hand out the money, she and her staff visit sites, coordinate with state directors and help set priorities for the money.

In 1997 the District will receive $1.4 million from the fund; Maryland, $7.7 million; and Virginia, $10 million.

This year, because outlays by the fund will be so much larger than in the past, mostly because of the Daiwa fine, Adams has met often with state officials. The priorities set by the Clinton administration are to provide money to people in rural areas where there are few services for crime victims, to Native Americans and to victims of gang violence.

"The fund serves about 2 million crime victims a year, but there are still millions who don't receive help because there are no services where they are," Adams said.

In San Diego recently, Adams introduced Attorney General Janet Reno to two men who have applied for a grant from the fund. Axim Khamisa's young son was murdered two years ago while delivering a pizza. Ples Felix is the grandfather of the 14-year-old gang member who was convicted of killing him.

"They feel they're victims of a crime from different sides of the gun," Adams said.

The two formed a gang prevention program and have applied for a grant from the fund for the portion of their work that deals with victims of gang violence.

Once OVC funds reach the state level, they are split between two different programs. One, victim compensation, is to pay individual victims of crime or their families for unreimbursed medical expenses, lost wages or funeral expenses.

For example, a man who was robbed and beaten in Northern Virginia last fall had serious injuries and still is unable to work. The fund provided him with an emergency grant for unreimbursed medical bills and lost wages.

Crime victims can apply for the funds, but few know about the program, so officials such as Coscia seek out recipients. In Alexandria, for example, Coscia gets daily police reports of every crime in the city and contacts the victims within a day or two to ask what kind of help they need or to refer them to counselors or social service agencies.

The second program, called victim assistance, helps victims mostly through grants to domestic violence shelters, rape crisis centers, child abuse programs and other community programs. The victim assistance program receives by far the bulk of the funds from the states.

Although it's been nearly two years since the Oklahoma City bombing, programs for its victims and survivors will receive more than $600,000 from the OVC fund this year. Much of that money will be used to help those who wish to attend the trial of Timothy James McVeigh, scheduled to begin March 31. McVeigh is charged with carrying out the terrorist bomb attack there that left 168 dead.

"It's been very moving to interact with the victims of Oklahoma City and see how important it is for them to attend the trial," Adams said.

The money will help to provide transportation to the trial, because the tiny courtroom only will allow for 24 victims, who will rotate on a weekly basis; counselors for those attending the trial in Denver; and those who stay behind in Oklahoma City, safe havens in both cities where the victims can have a meal and meet with counselors or ministers, and two additional victim assistance staffers in the U.S. attorney's office for the next year.

In the past year, the fund helped pay for children's medical bills and lost wages of workers who were injured in buildings near the blast. The fund also provided money to inform victims of their legal rights, the progress of the investigation and what services were available, said K. Lynn Anderson, an assistant U.S. attorney in Oklahoma City assigned to the victim assistance unit. (Much of the initial funding for counseling and other services right after the bombing was provided by the Federal Emergency Management Agency.)

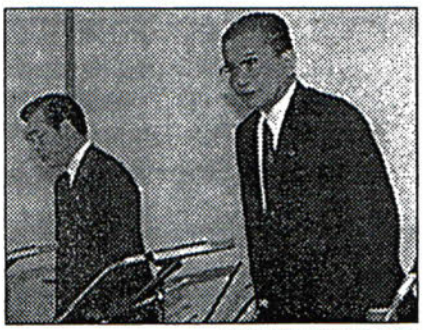
"I will be there every day of the trial," Anderson said. "I've done hundreds of interviews with the families and I know how important this is to them. . . . We try to bring a friendly face and a sensitive soul to the people who've been truly traumatized."

THE COST OF CRIME

Among the largest fines that have gone into the Crime Victims Fund in the last year are:

Name	Amount of fine, in millions	Reason
Daiwa Bank	$340	Withholding information from U.S. regulators about huge trading losses.
Archer Daniels Midland	100	Price-fixing in the food additives business
Haarmann & Reimer	50	Price-fixing in citric acid markets
Damon Clinical Laboratories	35.3	For fraud in a billing scheme to overcharge Medicare
C.R. Bard	30.5	Billing the government for defective heart catheters
Caremark	29	Fraud in their medical care business
Lockheed	21.8	Role in case involving bribing the Egyptian government

SOURCE: Justice Department



ASSOCIATED PRESS/FILE PHOTO

Daiwa Bank President Akira Fujita, right, bows before a press conference in Tokyo last October announcing his resignation after taking responsibility for $1.1 billion in hidden bond trading losses at its New York branch.

NOTE: Some of the fines were collected in fiscal 1996, others were levied in 1997.

5/13/97

Will send to Chris Walker after you have seen.

YES ✓



LLOYD JOHN OGILVIE
UNITED STATES SENATE CHAPLAIN

Dear Bill: May 8, 1997

I wanted you to have a copy of a prayer I prayed for you recently. And, as always, you are in my daily prayers.

God bless you!

Ogil

PRAYER FOR THE PRESIDENT
Thursday, May 1, 1997
U.S. Senate Chaplain
Dr. Lloyd John Ogilvie

Almighty God, Sovereign of this Nation and Lord of our lives, You have called us to be intercessors for our Nation and our leaders and particularly have promised to bless the President and his family as we pray for them. You have shown us that to whom much is given, much shall be required; You have also promised that from whom much is required, much shall be given.

Father, we know the magnitude of the responsibilities resting on the shoulders of President Clinton. You have promised strength for the duties of each day, power to handle the pressures, light for the way, patience in adversity, help from above, unfading courage and undying love.

Reign as absolute Sovereign of the President's life, the ultimate Source of his security, the anointing Spirit providing him with supernatural gifts of wisdom, knowledge, and vision. As we pray bless him and the First Lady with strength to think clearly, serve creatively and endure consistently; strength to fill up any diminished human resources; silent strength that flows from Your limitless source, quietly filling them with Your power. You never ask for more than You will provide the daily strength to accomplish.

Lord, You are the healing power of the world. Continue to heal the President's knee and grant him health in every way. Bless the Clinton family. Be with Chelsea as she prepares for college. We thank You for her talents and gifts as a young woman. Place Your arms of love around this family.

Unite our Nation and grant us a great spiritual awakening. Through our Lord and Savior, Amen.

EYES ONLY

THE PRESIDENT HAS SEEN
5/13/97

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

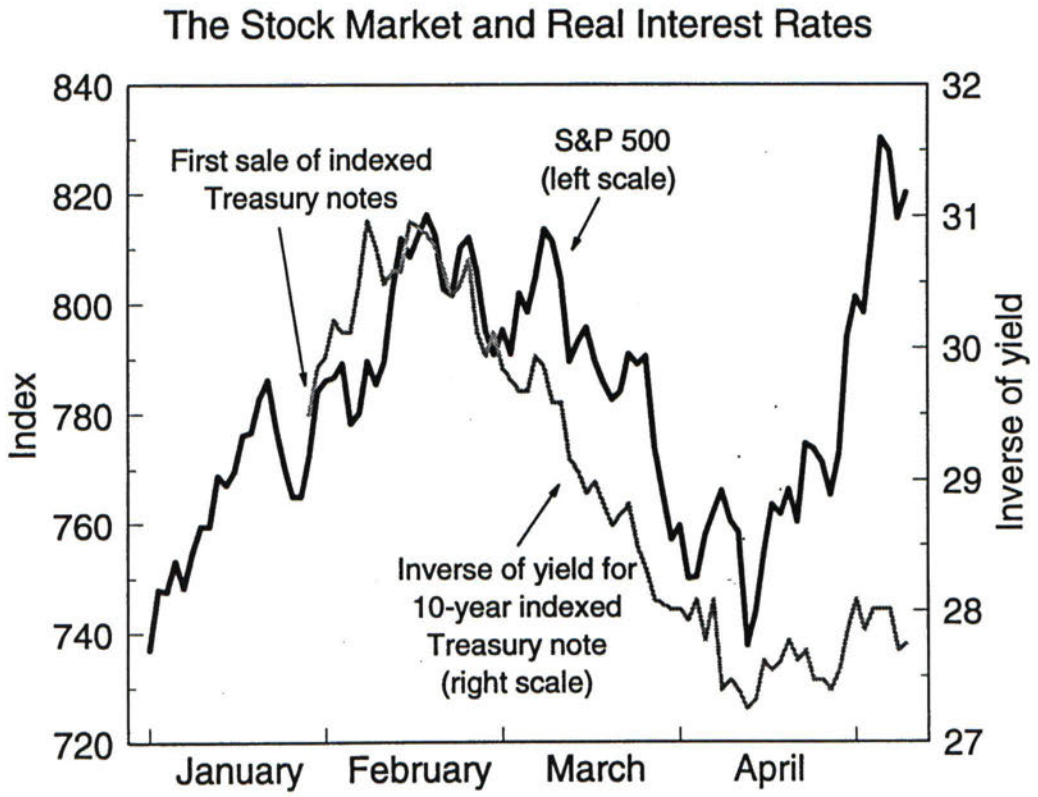
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

'97 MAY 9 AM8:25

May 9, 1997

Copied Yellen COS
p. 5 to Jennings

CHART OF THE WEEK



Stocks have shown considerable volatility in 1997. In theory, stock prices should move inversely with real interest rates, other things held constant (in particular, expected earnings and risk premiums). And, in fact, the decline in stock prices from March into April tracks the increase in yields on Treasury indexed securities. The rise over the past few weeks, by contrast, has been steeper than the change in interest rates alone would explain. Possible explanations include reports of better-than-expected earnings and expectations of changes in the tax treatment of capital gains, but some investor exuberance may be at work as well.

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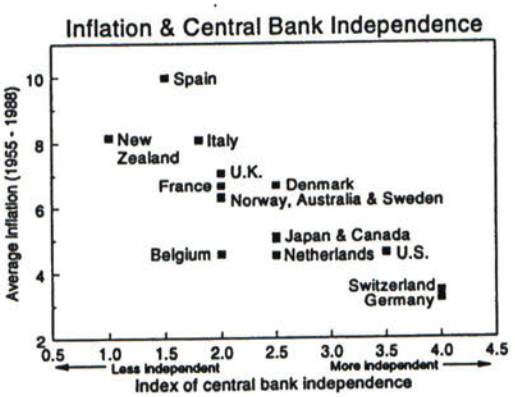
"We can all write stuff on the shopping list, but Mom has a line-item veto."

EYES ONLY

CURRENT DEVELOPMENT

A Declaration of Independence for The Bank of England

On Tuesday, the United Kingdom joined other recent converts to central bank independence, including France, when it was announced that the Bank of England would be given sole responsibility for setting interest rates. Central bank independence is believed to enhance the credibility of monetary policy and to lead to lower inflation because it insulates monetary policy from political pressure.



For example, one study shows that, among industrialized countries, those scoring high in terms of central bank independence over the 1955-88 period tended to have lower average inflation (see chart, and box on next page). Substantial effects on real output were not observed.

Labour's new regime. The announcement by the new Labour government gives the Bank of England "operational responsibility for setting interest rates" to meet an inflation target set by the government. The Bank's decisions will be made by a vote of a new nine-member Monetary Policy Committee, patterned after the U.S. Federal Open Market Committee and similar arrangements in other large economies. However, four of the members will be appointed by the Chancellor for 3-year terms (compared with 14-year terms for members of the Federal Reserve Board).

Is independence necessary? British monetary policy has operated with an inflation target since sterling was withdrawn from the European Exchange Rate Mechanism in 1992. Despite a previous history of high inflation, the targets have generally been met, although not without policy disputes between the government and the Bank. In this context, the move by the new Blair government might be viewed as an attempt to allay financial market fears that it would pursue inflationary policies, and to signal its differences from pre-Thatcher Labour governments.

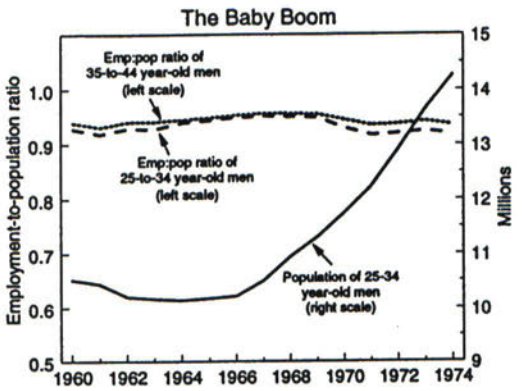
Economic Theory and Central Bank Independence

It may seem surprising that a government can raise economic well-being by giving up the ability to use monetary policy freely. Yet if the authorities make a credible commitment that they will not be inflating in the future, the downward shift in inflation expectations will mean that the country can enjoy a lower level of inflation for any given level of output. A government that would like to constrain itself, so that in the future it can resist the political pressures and economic temptations of expansion, is like Odysseus wanting himself tied to the mast while sailing by the seductive sirens. Central bank independence provides this credible commitment, assuming the appointed central bankers are naturally hawkish on inflation and are insulated from political pressure to ease policy. U.K. inflation expectations, derived from yields on indexed bonds, declined about a quarter percentage point after the announcement giving the Bank of England independence.

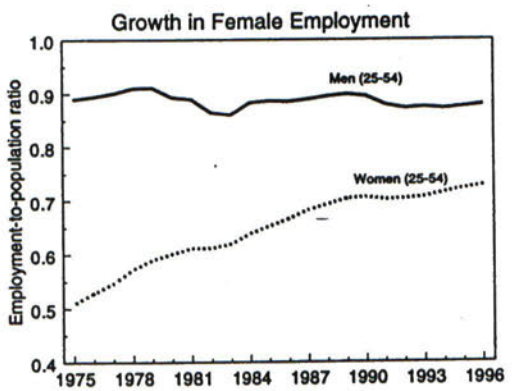
SPECIAL ANALYSIS

Surges in Labor Supply and Labor Market Outcomes

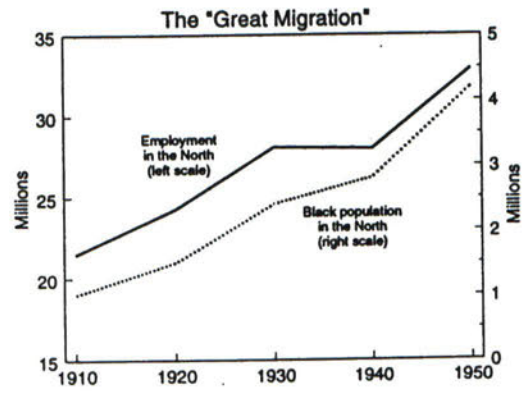
Might a case be made that the entry of up to 2 million former welfare recipients into the labor force can be accommodated without major dislocations to those already working? Several historical episodes provide encouraging evidence—although wages could be adversely affected.



The baby boom. The baby boom cohort represented a huge increase in the supply of labor when its members reached working age. Between 1965 and 1974, the population of men between the ages of 25 and 34 grew by about 4 million (see upper chart). Yet, the share of men in this age bracket who held jobs changed little. Nor was employment among men between the ages of 35 and 44 from the pre-baby-boom cohort much affected.



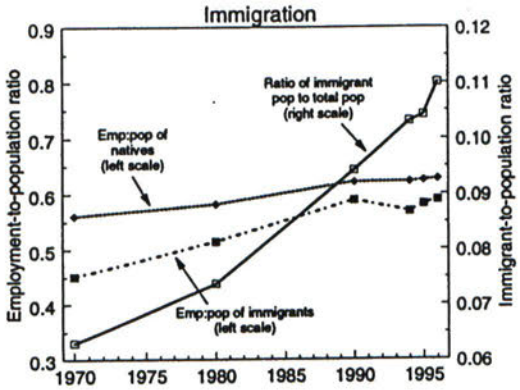
Female labor supply. Women's labor force participation has been rising for decades. Between 1975 and 1996, for example, the fraction of women aged 25 to 54 who were employed rose from about one-half to nearly three-fourths (see middle chart). Meanwhile, the fraction of employed men in that age group remained roughly the same, apart from cyclical fluctuations. Thus, the entry of millions of women into the labor force during this period apparently did not cause major dislocations among men.



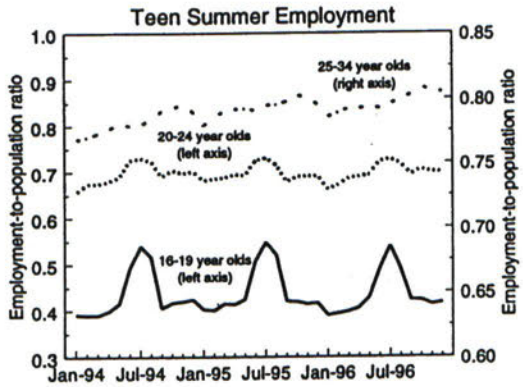
The Great Migration. From 1910 to 1950 the population of blacks in the North increased from 1 million to 4 million, due to migration from the South (see lower chart). One important cause of this "Great Migration" was reduced demand for labor in the South resulting from mechanization of cotton production. Notwithstanding this large influx of Southern blacks, employment in the North grew from 22 million to 33 million over this 40 year period.

THE PRESIDENT HAS SEEN
5/13/97

EYES ONLY



Immigration. Over the past 15 years, the share of the population that is foreign-born has been growing at an increasing rate (see upper chart). Employment among immigrants grew by 4 million as their employment-to-population ratio actually rose between 1980 and 1990 and then remained roughly constant, indicating job-finding success among immigrants. The employment-to-population ratio of native-born workers has continued to increase gradually over the period.



Teen summer employment. Each year, hundreds of thousands of teens flood the labor market when school lets out. In recent years, for example, teen employment has risen about 25 to 30 percent in the summer (see lower chart). Employment prospects of other young workers do not appear to have been hurt. In fact, those aged 20 to 24 experience small gains in employment as well during the summer, as college students find summer jobs.

Wage effects. Even if former welfare recipients are able to obtain employment without displacing other workers, their entry into the labor market may lower wages for low-skilled workers to some extent (see *Weekly Economic Briefing*, November 22, 1996). Research suggests, for example, that entry of the baby boom into the labor market may have depressed wages for some groups of workers. Although large reductions in wages would be troubling, some degree of wage flexibility enables those with no other means of support to find jobs.

Conclusion. None of the examples provided here is definitive, in the sense that other factors may have been at work to ease the transition. Nevertheless, this range of historical episodes provides encouraging evidence that the U.S. labor market is flexible enough to absorb large influxes of new entrants.

EYES ONLY

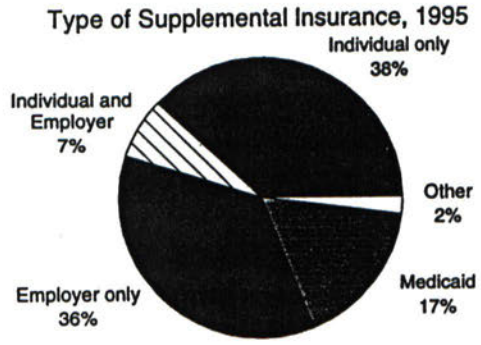
THE PRESIDENT HAS SEEN
5/13/97

SPECIAL ANALYSIS

Should Medigap Coverage Have More Gaps?

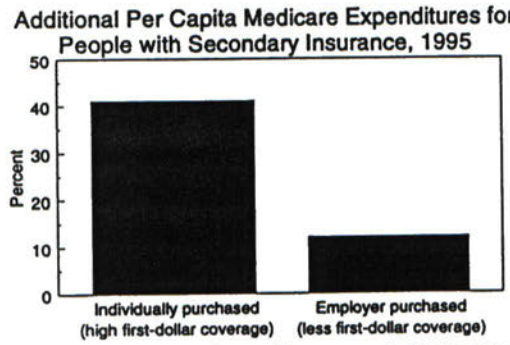
Although Medicare provides important health insurance protection to the elderly and disabled, it covers only about 45 percent of their health care costs. As a result, most Medicare beneficiaries have additional insurance to fill in some of the "gaps." The problem is that, by providing "first-dollar" coverage, many of these policies encourage the overuse of some services and thereby raise Medicare expenditures.

Prevalence of secondary insurance. In 1995, 87 percent of those enrolled in the traditional Medicare program were covered by some kind of secondary insurance. Almost 40 percent of this group had purchased their own supplemental policies, a similar fraction were insured through an employer, 7 percent received coverage from both individual and employer polices, and 17 percent obtained secondary insurance through Medicaid (see upper chart).



In 1990, the Congress passed legislation to standardize individually purchased "Medigap" policies. New policies now cover most Medicare copayments. In addition, over 90 percent of these policies cover the Part A (hospital) deductible, and almost 60 percent cover the Part B (physician and other outpatient services) deductible. Thus, Medigap provides first dollar coverage for many medical services.

Impact on Medicare outlays. Secondary policies that reduce or eliminate copayments and deductibles raise Medicare expenditures. In 1995, for example, per capita expenditures for beneficiaries with individually purchased policies, which provide substantial first-dollar coverage, were 41 percent higher than those for persons without supplemental insurance (see lower chart). Spending for those with employer-purchased plans, which frequently include some copayments or deductibles, were 12 percent higher.



Note: Chart shows increase in expenditures compared with those without supplemental coverage.

Greater costs for those with Medigap policies probably cannot be explained by "adverse selection." It is not sicker people who purchase the insurance. Indeed, Medigap policyholders rate their health higher than those without secondary coverage. And most studies find higher spending

among Medigap policyholders, even after controlling for health and demographic factors.

Implications. The cost increases associated with Medigap insurance have led to debate about whether the policies should be modified to reduce the amount of first dollar coverage. This debate reflects recognition of the fact that Medicare does not operate in isolation but rather functions in conjunction with a number of public and private insurance plans. Any long-term reform efforts need to take these complex inter-relationships into account.

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ARTICLE

The Number of Bank Failures Continues to Dwindle

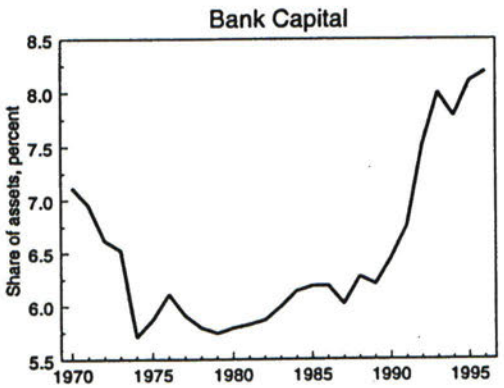
Just 5 banks, with assets of $183 million, failed last year, according to a recent FDIC report. The number of failures was the lowest since 1974, and down substantially from more than 100 banks, with assets of more than $60 billion, a mere 5 years earlier (see upper chart).



What happened? Several reasons for the decline in bank failures have been identified, including the following:

- Economic recovery. The long expansion following the 1990-91 recession has boosted the demand for bank products while reducing costs associated with loan defaults. As a result, bank profitability has soared.

- No shocks. The high level of bank failures in the 1980s reflected, in part, large shocks to particular sectors of the economy that generated bank failures in the areas of the country most affected. These shocks included declines in agricultural prices in the mid-1980s, which hurt banks in farm states; declines in energy prices around 1986, which caused substantial problems for banks in Texas; and a sharp decline in commercial real estate at the end of the decade, which had its largest impact in the Northeast.



- Tighter regulation. Bank supervision and regulation were tightened following the savings and loan debacle and problems in the banking sector. Most basically, the introduction of minimum capital requirements for banks in 1990 increased the cushion of capital that banks must hold against possible losses; these requirements also provided banks with greater incentive to invest prudently (see lower chart).

"Prompt corrective action." As part of the tighter regulatory environment, the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) limited the ability of regulators to allow seriously compromised institutions to continue operating. Many commentators believed that past regulatory forbearance had contributed to the earlier Savings and Loan crisis by allowing insolvent institutions

to increase their losses and by creating an environment that encouraged solvent institutions to take greater risks. The most important of the new restrictions were the provisions for "prompt corrective action," which require regulators automatically to impose increasingly severe restrictions as a bank's level of capital declines.

Outlook. Looking ahead, bank failures are likely to remain at a low level so long as the economy remains strong. Whether prompt corrective action requirements will limit failures in the event of a recession remains uncertain. Although high levels of bank capital should help, some observers claim that banks have reacted to the capital requirements by increasing the risk of their operations in ways not captured by the requirements. In addition, a recent study by the General Accounting Office notes two possible problems with FDICIA's focus on capital. First, troubled institutions can attempt to under-provide for expected loan losses or under-report the level of problem assets in order to inflate their capital ratios. Second, capital tends to be a lagging indicator of financial problems, hence a focus on capital ratios may lead regulators to act too slowly.

Nonetheless, a return to the high bank failure rates seen in the late 1980s and early 1990s is unlikely. FDICIA provisions other than those for prompt corrective action should contribute to bank safety and soundness. For example, the Act requires regulators to examine banks more regularly than had been the case. It also requires the FDIC to resolve failures in a least-cost manner, even if doing so means that uninsured depositors take losses. This change should boost uninsured depositors' incentives to monitor their banks' activities. Finally, the deposit insurance problems in the 1980s and early 1990s have probably contributed to improved supervision and regulation, both by sensitizing the agencies to the costs of excessive forbearance and by encouraging them to develop ways to evaluate risks before they pose threats to banks.

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EYES ONLY

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Reports More of the Same. The latest Federal Reserve survey of regional conditions paints pretty much the same picture as the past two surveys: moderate economic growth, rising retail sales, tight labor markets, and relatively flat retail prices despite scattered reports of upward pressure on wages. Although retail sales were above year-ago levels, new-car and light-truck sales have tapered off from high March levels. New home construction was strong throughout most of the Nation, but down a bit from last year's very high levels. Commercial real estate remained strong, with most districts reporting declining office vacancy rates and increasing rents. Overall manufacturing activity increased, especially in the Atlanta, St. Louis, and San Francisco districts due to expansion in the aerospace industry. Agricultural reports were mixed, as some districts reported above-average progress in crop plantings while others reported weather-related delays and damage to crops.

Gender Gap in Testing Narrows. According to a recently released study conducted by the Educational Testing Service (ETS), the gap between boys' and girls' standardized test scores is not as large as previously believed. Although girls do better on some tests of verbal skills and boys do better on some mechanical and mathematical ones, the study emphasizes that the similarities between boys' results and girls' results are more striking than the differences. Gender differences for 12th graders were explored in more detail than in most previous studies. The results indicated that even though boys do better in math overall, girls perform better in mathematical computation; and while girls have better writing skills, boys appear to perform almost as well in verbal tests of vocabulary and reasoning. In fact, the report concludes that the most persistent gap is for boys in writing skills, not girls in math, suggesting that schools may want to focus additional attention on developing boys' language skills as well as encouraging girls' math capabilities.

Another "Busy" Mother's Day? According to legend, telephones are used on Mother's Day more than on any other day of the year. But according to AT&T, it is far from the busiest day in terms of the number of long-distance calls. On average, about 75 percent more calls are placed on a regular weekday than on Mother's Day. However, the average Mother's Day call is roughly four times as long as a business call and about twice as long as a typical consumer call. These data suggest that Mother's Day might be the busiest day in terms of total minutes of use. Economists view the persistence of discounted, off-peak rates on Mother's Day as anomalous on efficiency grounds. Perhaps it is testimony to the social (and marketing) importance of low phone rates on special occasions. More calls are placed on Mother's Day than on any other holiday. Most calls go to Arizona, Southern California, Florida, and Texas. Note to dads: Father's Day is the busiest day of the year for collect calls. (Mother's Day comes in second).

INTERNATIONAL ROUNDUP

Mongolia Embraces Free Trade. In one swift stroke, Mongolia transformed itself into one of the most open economies in the world by abolishing customs duties on nearly all products. Prior to May 1, 1997, most goods were subject to an import duty of 15 percent, but now the only merchandise subject to import taxes is automobiles, alcoholic beverages, cigarettes, and loose tobacco. The new zero-tariff regime will enhance the competitiveness of Mongolian exporters that rely on imported inputs. It will also raise the purchasing power and standard of living for Mongolian citizens. For foreign companies that trade with Mongolia, the costly process of "negotiating" tariff rates with Mongolian customs officials may finally be over.

Korea's International Debt Rising Rapidly. A rise in Korea's international debt—to $104 billion in 1996—has caused some analysts to make comparisons with Mexico before its financial crisis in 1994. Korea's current account deficit (the rate at which it is incurring debt to foreigners on net) has reached 5 percent of GDP, a threshold that merits attention. The large trade deficit and a slowdown in the country's growth rate have contributed to a political loss of confidence among Koreans and stalled economic reform in a variety of sectors. In addition, the rising trade deficit has fueled an "anti-luxury" campaign that discriminates against imports. Korea's high national saving and high ratio of exports to GDP do, however, greatly enhance its ability to service its debt. The ratio of debt service payments to exports is much lower in Korea than it is in most large debtor nations, including Mexico, suggesting that the comparison with Mexico may not be entirely appropriate. A crisis is unlikely.

Sound Economic Performance Bolsters Canadian Liberal Party. As the Canadian federal elections approach, economic policy is less likely to be at the center of the debate. The shift in focus compared with the 1993 elections is due primarily to the Liberal party's success in reducing the federal deficit and in lowering interest rates. Since taking office, the Liberal party has cut the federal deficit in half, and, as was the case in the United States in 1993, the smaller deficit underpinned the Central Bank's ability to cut interest rates. Also, in contrast to the Canadian situation in 1993, trade policy is unlikely to be controversial. All five parties that currently hold seats in the Parliament support the North American Free Trade Agreement, and the four opposition parties have refrained from criticizing any of Prime Minister Chretian's other trade initiatives, like the recent free trade agreements with Chile and Israel.

EYES ONLY

RELEASES THIS WEEK

Productivity

Nonfarm business productivity rose 2.0 percent at an annual rate in the first quarter of 1997. Manufacturing productivity rose 3.1 percent.

MAJOR RELEASES NEXT WEEK

Retail Sales (Tuesday)
Producer Prices (Wednesday)
Consumer Prices (Thursday)
Industrial Production and Capacity Utilization (Thursday)
Housing Starts (Friday)

EYES ONLY

U.S. ECONOMIC STATISTICS

	1970–1993	1996	1996:3	1996:4	1997:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.1	2.1	3.8	5.6
GDP chain-type price index	5.3	2.1	2.0	1.9	2.7
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	0.9	0.0	1.1	**2.0**
Real compensation per hour:					
Using CPI	0.6	0.4	0.7	0.2	**2.3**
Using NFB deflator	1.3	2.2	2.0	2.7	**2.3**
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.4	10.6	10.6	10.6
Residential investment	4.5	4.1	4.1	4.1	4.0
Exports	8.2	11.3	11.1	11.5	11.4
Imports	9.2	12.6	12.7	12.6	12.8
Personal saving	5.1	3.6	3.9	3.8	3.8
Federal surplus	–2.7	–1.7	–1.6	–1.4	N.A.

	1970–1993	1996	Feb. 1997	Mar. 1997	Apr. 1997
Unemployment Rate	6.7••	5.4••	5.3	5.2	4.9
Payroll employment (thousands)					
increase per month			314	139	142
increase since Jan. 1993					12053
Inflation (percent per period)					
CPI	5.8	3.3	0.3	0.1	N.A.
PPI-Finished goods	5.0	2.8	–0.4	–0.1	N.A.

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

New or revised data in **boldface**.

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FINANCIAL STATISTICS

	1995	1996	March 1997	April 1997	May 8, 1997
Dow-Jones Industrial Average	4494	5743	6901	6658	7137
Interest Rates					
3-month T-bill	5.49	5.01	5.14	5.16	5.07
10-year T-bond	6.57	6.44	6.69	6.89	6.72
Mortgage rate, 30-year fixed	7.95	7.80	7.90	8.14	7.94
Prime rate	8.83	8.27	8.30	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	**Current level**	**Percent Change from**	
	May 8, 1997	**Week ago**	**Year ago**
Deutschemark-Dollar	1.708	–0.7	12.6
Yen-Dollar	123.9	–2.2	17.8
Multilateral $ (Mar. 1973=100)	96.03	–0.9	9.6

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	4.0 (Q1)	4.9 (Apr)	2.8 (Mar)
Canada	2.3 (Q4)	9.3 (Mar)	2.0 (Mar)
Japan	3.1 (Q4)	3.4 (Feb)	0.5 (Mar)
France	2.0 (Q4)	12.9 (Jan)	1.1 (Mar)
Germany	2.2 (Q4)	7.8 (Feb)	1.6 (Mar)
Italy	0.1 (Q4)	12.3 (Jan)	2.2 (Mar)
United Kingdom	3.0 (Q1)	7.2 (Mar)	2.6 (Mar)

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THE WHITE HOUSE
WASHINGTON

May 9, 1997

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5/13/97

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: DPC Weekly Report

1. EDUCATION -- Bipartisan Agreement on IDEA: After a two-year stalemate, House and Senate committees reached bipartisan agreement this week on nearly identical bills to reauthorize the Individuals with Disabilities Education Act (IDEA). The compromise was hammered out between key House and Senate leaders in both parties, the Administration, and education and disability groups. The legislation protects the rights of disabled students and their families while also expanding the authority of teachers and principals to protect the safety of all children in the classroom. In particular, the legislation will make it easier to remove a student from the classroom for bringing a weapon or drugs to school, but requires that disabled students continue to receive services even if they have been suspended or expelled (overturning a 4th Circuit decision allowing services to be cut off).

As in the Administration's original plan, the bill requires that Individualized Education Plans (IEP's) be focused on enabling the child to participate in the general curriculum, and reaffirms that disabled students must be included in state and district assessments, with appropriate accommodations where necessary. The legislation will also change the IDEA funding formula, using census and poverty counts in order to reduce incentives to wrongly identify children as having a disability (although formula changes would only take effect at substantially increased appropriations levels).

Although some issues still could threaten final passage -- particularly related to the provision of services to imprisoned youth identified as disabled (a concern in California) -- both houses are on track to approve the legislation next week. If all goes well, the final bill could arrive here for your signature before Memorial Day.

2. EDUCATION -- Possible Goodling Amendment to Block Testing Plan: Rep. Goodling, who until recently supported our testing initiative, is now threatening to offer an amendment to the flood relief bill that would prohibit the Education Department from spending

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any funds to develop the tests. Secretary Riley has made clear to him that you would almost certainly veto the bill over such a provision. We have been working with the business community and others to persuade Goodling to back down. He and Riggs are apparently considering some kind of compromise that might involve Congressional authorization or oversight of the tests. Goodling's argument against the initiative is that it won't do any good to measure schools' failure unless we're taking steps to make sure students pass the tests. We have told him that is precisely why we want America Reads.

3. WELFARE REFORM -- Texas Waiver: HHS is about to send Texas a letter formally denying their request to privatize any aspect of the eligibility process for Medicaid and Food Stamps. Earlier this week, Senator Hutchison tried to amend the flood relief bill to deem the waiver approved, but her amendment was denied as non-germane. Several members of the Texas delegation have asked for a meeting with Erskine next week, and may try to attach the Hutchison amendment to future legislation.

4. CRIME -- Fewest Police Slain Since 1960: Next Friday, when you speak to the annual Peace Officers Memorial, you will be able to highlight what may be the most impressive crime statistic yet: In 1996, only 117 police officers were slain in the line of duty -- a 30% drop from the previous year (162), and the lowest number of police fatalities since 1960. Police and victims groups credit this reduction to an increase in the number of officers, better training, a drop in firearms-related deaths (from 71 to 55), and increased use of bullet-resistant vests.

5. HEALTH CARE -- First Meeting of Quality Commission: The Quality Commission will hold its first meeting on Tuesday. Secretaries Herman and Shalala will release a letter from you to Commission members calling on them to develop a patients' bill of rights. The Commission will hear testimony from a broad range of consumer and business representatives. We expect the first meeting to receive a great deal of media interest.

6. EXECUTIVE ACTION -- Morgan State Commencement Address on Science and Technology: When you speak next Sunday at Morgan State, you will be able to make two important and newsworthy announcements -- one on the perils of modern science, another on the wonders. First, you can announce that you will be supporting new legislation to prohibit health insurance companies from using genetic screening information to deny coverage. Second, we have finally persuaded HHS and NIH to develop a series of concrete proposals to accelerate development of an AIDS vaccine.

The proposed actions include announcement of a new NIH AIDS vaccine laboratory, $6 million in new innovation grants for AIDS vaccine research, and an international commitment to AIDS vaccine research as part of the Denver Summit Communique. These steps, along with promising developments in recent research, put you in a credible position to issue the challenge to the scientific community you have long wanted to make -- to develop an AIDS vaccine over the next decade.

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May 11, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: **GENE SPERLING**

cc: **ERSKINE BOWLES**

RE: **NEC Weekly Report**

HOPE Act: Bob Shireman, on our staff, spoke to ACE's government relations committee (20 college presidents) and to the President's Advisory Council on HBCUs about the Administration's higher education agenda. We have asked Education to review two recent studies of Georgia's HOPE Scholarship program -- one showing that it helps borderline students, the other showing increased African American enrollment -- to determine if they are of sufficient quality and interest that we could highlight them at an event.

Student Loans:

- We are putting together information on the savings to students (in *both* the direct and guaranteed loan programs) as a result of the 1993 reforms.

- The new direct loan contractor, EDS, has been having considerable difficulty making its systems work properly. This has led to forceful but (so far) quiet complaints from direct loan schools. Education is focused on the problem, and has contingency plans which may need to be considered in two or three weeks. *The problem will surface at a Senate hearing scheduled for next week,* if not before. We are working with Education in preparing for the hearings and are pushing them to make sure Congress does not look at direct lending in a vacuum but compares it to the guaranteed program.

America Reads: We currently have 175 colleges pledging work-study tutors, but I think we should be doing better. We are re-doubling our efforts, and clarifying lines of responsibility between Education and the Corporation for National Service. Bob Shireman and Carol Rasco met with the higher education associations yesterday and got them to agree to put staff time into a core group who can help make phone calls around a campaign to get colleges on board. This effort will be pegged to the release of a new 60-page resource guide for colleges on America Reads, which Education will mail next week.

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Budget Roll Out: Numerous teams from the White House and the agencies made dozens of press and outreach calls shortly after the deal was announced. We are planning on having follow-up meetings twice a week and are preparing paper to distribute internally and externally.

Conference Call with Mayors and County Officials: Lynn Cutler and Emily Bromberg set up a conference call with mayors and county officials on the budget agreement. I found the attitude of the mayors and local officials generally positive. They were, however, concerned about cuts in Disproportionate Share Hospitals and how they would be targeted. I told the group we would set up follow-up calls with Chris Jennings and myself.

Comp. Time: John Podesta and I held a comp time meeting this past week with John Hilley, Secretary Herman, Rahm, Bruce Reed and others on our strategy before action in the Senate. We decided to work closely with the Senate Democrats and to introduce comp. time legislation based on your proposal. We are working with the Democratic Policy Committee in the Senate to prepare a communications strategy when the Senate debates the legislation. The Ashcroft bill, which you promised to veto, fails to protect basic worker rights, including the 40 hour work week and the right to overtime pay. Moreover, it fails to protect employees from abuse and doesn't offer real employee choice.

Skill Grants: The McKeon bill, the Republican-sponsored job training reform legislation, is expected to come to the House floor this week. We will continue to work with selected reporters to emphasis your leadership role in crafting skill grants and other reforms in the legislation.

Financial Services Modernization: There was an NEC principals meeting on Thursday to discuss Treasury's new proposal, which essentially involves sending up two alternative ways of dealing with banking and commerce. We reached consensus on all but the issue of holding company supervision and the role of the Fed, where there is significant disagreement between Treasury and the Fed. We will have a final memo to you shortly. Treasury would like to announce the proposal in a speech by Secretary Rubin on May 21, with testimony before the House Banking Committee to follow the first week of June.

Pensions: We continue to work on recommendations for legislative action on a simple defined benefit plan and some other proposals. These will take another four to six weeks to fully develop into legislative specifics, and any such legislation will cost money. The Labor and Treasury bills to repropose last year's leftovers, however, are ready for transmittal.

Ellen Seidman met with leaders of the American Savings Education Counsel (ASEC) at the Labor Department, and then with Rep. Payne (with Leg Affairs) to discuss a possible White House retirement savings event, which would have three purposes:

(i) Restart and give a higher profile to the on-going savings education campaign;
(ii) Encourage participants in ASEC to commit to stronger efforts -- particularly among lower-income workers who they generally do not reach; and
(iii) Head-off a bill moving with bipartisan support in Congress that would require the White House to hold quadrennial retirement savings summits, with substantial control ceded to the Congress and with a real danger of moving into policy areas we would prefer to leave alone.

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Volunteers/Tort Reform: Last week we worked on the SAP opposing S.543, Senator Coverdale's volunteer liability protection bill. While that bill -- as well as the process for bringing it up -- was bad and, moreover, contained some problems that also appear in the broader tort reform efforts -- we tried to leave the door open to support a good bill. (Senator Leahy, after making a very powerful statement opposing S.543, offered a substitute that passed 99-1.The substitute still has some problems in the broad context of tort reform, but it's much better.) There will be an interagency meeting on tort reform next Friday, May 16.

Advisory Commission on Consumer Rights and Quality in the Health Care Industry: Next Tuesday, the Quality Commission will hold its first meeting. As the Commission's co-chairs, Secretary Herman and Secretary Shalala will guide the Commission through a packed agenda of work items that includes reading a letter from you commending the Commission on its preliminary work plan, which has a heavy emphasis on responding to your "consumer bill of rights" challenge; announcing the three remaining unnamed Commission members (one labor and two business slot appointments, assuming they clear through Counsel's office) and reviewing, editing, and adopting the Commission's formal work plan. We expect the first meeting to receive a great deal of media interest and are encouraging the Commission staff to emphasize the priority you place on the quality and consumer protection issue.

German Economics Minister: I had a brief meeting with Gunter Rexrodt two weeks ago. I specifically raised the issue of our anti-bribery initiative, which many believe the Germans have not been particularly cooperative. Rexrodt expressed a willingness to work with us on this important issue in the run-up to the OECD Ministerial.

Sir Leon Brittan: I met with Sir Leon Brittan this past week. He made the point that we need progress on Mutual Recognition Agreements (MRAs). The purpose of these agreements, as you know, is to ease the process of obtaining regulatory certification in different countries. We have reached agreement in several areas -- including telecommunications, information technology, and recreational crafts -- but have failed to cement a deal in pharmaceuticals and medical devices. Brittan maintained that more movement from FDA is essential and that the EU would not want to accept a deal without pharmaceuticals and medical devices. I made clear our position that the FDA has been pushed nearly to its limits.

Business Council: I was down in Williamsburg, VA on Friday night with the Business Council. They seemed very pleased with our working together with Republicans to achieve a budget agreement. They are charged up on China, but I tried to tell those I spoke with of how much of a grass-roots battle we could face this time around. Amb. Sasser was the dinner speaker.

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WASHINGTON

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May 9, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: **JOHN HILLEY**

SUBJECT: **WEEKLY LEGISLATIVE REPORT**

House of Representatives

1. **Housing Overhaul:** This week, the House continued consideration of H.R. 2, the Housing Opportunity and Responsibility Act of 1997. This legislation, which the Administration currently opposes, would turn over decisions about tenants and rents to local authorities. Opponents of the measure contend that H.R. 2 would place the extremely poor at greater risk because of provisions in the bill allowing people with modestly higher incomes to become eligible for public housing. Democratic amendments to retain certain provisions of current law that would be altered by H.R. 2 have continually been defeated. The House will likely resume consideration of this legislation on Tuesday, May 13, and is expected to complete consideration of the bill early on Wednesday, May 14.

2. **Endangered Species Act and Flood Control Projects:** On Wednesday, May 7, the House began consideration of H.R. 478, a bill which would waive "consultation" and "takings" provisions of the Endangered Species Act (ESA) for federal and non-federal entities when building, operating, maintaining and repairing flood control projects.

a. An amendment in the nature of a substitute offered by Reps. Boehlert (R-NY) and Fazio (D-CA) to waive ESA review only for flood project repairs in areas that had been declared federal disaster areas or where failing to do so posed a substantial threat to human life or property was passed (227--196). A coalition of Democrats, moderate Republicans and the White House whipped the amendment which was a clear victory for the environment. After passage of the substitute amendment, GOP leaders withdrew the bill from floor consideration.

The Administration had strongly opposed H.R. 478 prior to passage of the Boehlert and Fazio substitute amendment. However, the Administration currently supports House passage as a result of the substitute. It is unclear when this legislation will again come to the floor.

3. **Juvenile Justice:** On Thursday, May 8, the House passed (286--132) H.R. 3, the Juvenile Crime Act of 1997, a measure that would amend federal procedures for prosecuting juveniles and provide incentive grants to states, counties and localities for juvenile detention facilities, juvenile prosecutors and juvenile courts. The Administration opposed House passage of H.R. 3 in its current form because it does not include any funding for the prevention of juvenile crime, nor does it include any Administration-proposed firearms measures such as a requirement that child safety locks be sold with every firearm and a provision that permanently prohibits juveniles who have committed serious drug or violent offenses from purchasing guns. Because H.R. 3 is so narrowly drawn, no gun-related provisions were germane to the legislation. Consequently, no Members could offer gun amendments to the measure during debate. Additionally, while several amendments were offered to add a prevention component to the legislation all were rejected.

a. The House rejected (200--224) a Democratic Leadership substitute amendment that would have provided up to $300 million annually to local communities for juvenile crime prevention programs and up to $200 million per year for juvenile courts and prosecutors. The amendment also contained new enforcement measures for the federal juvenile justice system.

4. **Budget:** Majority Leader Armey announced on Thursday, May 8, that the Fiscal 1998 Budget Resolution will be on the House floor Tuesday, May 20.

5. **Flag Burning:** On Thursday, May 8, the House Judiciary Constitution Subcommittee approved H.J.Res. 54, a proposed constitutional amendment that would permit Congress to pass legislation prohibiting the physical desecration of the U.S. flag. The subcommittee approved the measure by voice vote, although there were many audible "nays" from Democrats. This resolution is expected to go to the full committee in the near future. A similar proposal fell short by three votes in the Senate in 1995.

6. **School Prayer:** On Thursday, May 8, Rep. Ernest Istook (R-OK) renewed his effort to enact a constitutional amendment on school prayer and religious liberties with a bill backed by the House Republican leadership and several conservative Christian groups. Rep. Istook introduced a compromise version of a measure he sponsored last year that died with conservatives feuding among themselves over the wording. The new measure says: "The people's right to pray and to recognize their religious beliefs, heritage or traditions on public property, including schools, shall not be infringed." It also states that the government cannot require anyone to join in prayer or religious activity or discriminate against religion or deny equal access to any benefit on the basis of religion. It is expected that the House Judiciary Committee will begin consideration of the Istook proposal in the near future.

The Week Ahead

The House will convene on Tuesday, May 12, to consider several Suspension bills including the IDEA Improvements Act of 1997 (H.R. 5). For the balance of the week, the House is expected to consider the Housing Opportunity and Responsibility Act of 1997 (H.R. 2), the Supplemental Appropriations Act (H.R. 1469) and the Foreign Policy Authorization Act (H.R. 1486).

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5/13/97

Senate

1. FY97 Supplemental Appropriations: On Monday, May 5, the Senate turned to consideration of S.672, the FY97 Supplemental Appropriations Bill. After invoking cloture (100--0) on Tuesday, May 6, the Senate considered several key amendments. The Senate:

a. Passed (89--11) an Administration-supported amendment sponsored by Senator D'Amato which delays the benefit cutoff date for legal immigrants who stand to lose their Supplemental Security Income benefits on August 22, 1997. The amendment would extend benefits through the end of the fiscal year.

b. Tabled (51--49; Senators Dorgan, Conrad, and Inouye voting to table) an Administration-supported Bumpers amendment that would have struck a provision sponsored by Senator Stevens making it easier for states to build paved roads across public lands and return the regulation of access to rights-of-way on federal lands to the states. The Administration strongly opposes the Stevens provision for at least two reasons: (i) the Administration believes that the January 1997 policy announced by the Interior Department fairly balances the interests of a right-of-way claimant with Federal land planning and management responsibilities and (ii) the provision requires the Department and the courts to defer to state law which could render the Federal government powerless to prevent the conversion of public lands into paved highways.

c. Passed by unanimous consent an Administration-supported amendment sponsored by Senator Hollings prohibiting the use of any funds made available in any appropriations Act for FY97 by the Commerce Department to make irreversible plans or preparations for the use of sampling or any other statistical method in taking the 2000 decennial census. In sum, the amendment allows the Commerce Department to do anything short of making **irreversible plans** for the use of sampling in taking the 2000 census.

d. Tabled an Administration-supported Byrd amendment (55--45 party line vote) that would have struck the McCain-Hutchison provision providing stopgap funding at 100% of prior-year levels for any appropriations bill not enacted by the start of the fiscal year. The Administration sent a letter to Senator Byrd on Thursday, May 8, stating that if the bill were presented to you containing the McCain-Hutchison automatic continuing resolution now pending in the Senate, you would veto the bill.

e. Passed a Reid amendment by unanimous consent that would strike language exempting flood mitigation projects in disaster areas from certain requirements of the Endangered Species Act. The agreement requires that limited and speedy Endangered Species Act reviews of flood control project occur, but that such projects should not be given a blanket exemption from the law.

f. Refused to consider a Hutchison amendment granting a welfare waiver to Texas after the Chair ruled the amendment was non-germane according to the provisions of the Byrd Rule. Senator Hutchison did not appeal the rule of the Chair.

Finally, on Thursday, May 8, the Senate passed (78:22) a motion to proceed to the third reading of S. 672. The Senate will not vote on final passage of the spending measure until the House acts on its version.

2. **Tenet Confirmation:** The Senate Intelligence Committee held hearings this week on the nomination of George Tenet to be CIA Director. During Wednesday's session the Committee announced that the Justice Department is investigating Tenet's financial disclosure statements. The investigation involves Tenet's failure to disclose his partial ownership of telephone company stock and real estate in Greece. Chairman Shelby issued a statement Wednesday stating that the discrepancies did not appear to be serious. Additionally, Senator Ford is threatening to put a hold on the nomination over concerns with the Department of Defense's failure to establish a pilot pension program authorized in the FY97 DoD Authorization bill. Although the investigation continues, NSC Legislative Affairs does not think these issues are serious enough to endanger Tenet's nomination. The Committee will hold a closed hearing next Tuesday, May 13.

The Week Ahead

On Monday, May 12, the Senate may turn to consideration of S. 717, the IDEA Improvements Act of 1997. The Administration-supported bill, which enjoys strong bi-partisan support, would reauthorize and makes changes to the law that provides grants to states to help them ensure that children with disabilities have access to public education. The consensus bill forges a compromise on several issues that led to deadlocks last year, including funding formulas and how much leeway to give schools to punish disruptive disabled students.

On Tuesday, May 13, the Senate will turn to consideration of S.4, the Comp time bill. The Aschroft-sponsored bill does not begin to meet the goals of your own comp time proposal which are real choice of employees, real protection against employer abuse, and the preservation of basic worker rights. You have repeatedly stated that you will veto this bill and any other that does not protect the 40 hour work week and provide real guarantees of employee choice.

cc: The Vice-President
Erskine Bowles
John Podesta
Sylvia Mathews

'97 MAY 9 PM 7:44

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

May 9, 1997

THE PRESIDENT HAS SEEN
5/13/97

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MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. McGINTY

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

EMERGENCY SUPPLEMENTAL

Two anti-environmental riders are being debated by Congress as part of the Emergency Supplemental: (1) a restriction on the application of the Endangered Species Act (ESA) to water control projects; and (2) a weakening of a policy by the Department of the Interior (DOI) that sets limits on the building of highways across Federal land (R.S. 2477).

On the ESA issue in the Senate, a bipartisan compromise was reached that repaired the worst features of the original ESA proposal, and the Senate passed the Emergency Supplemental on Thursday. The Administration is completing its review of the compromise proposal. The House took up the issue separately in a free-standing bill by Representative Wally Herger, but the Herger proposal was defeated by a substitute, offered by Representative Sherwood Boehlert, on a 227-196 vote. The Administration supported the Boehlert substitute and would prefer it to the Senate version, but may be able to revise the Senate version so that it is just as good.

On the R.S. 2477 issue, the Senate barely passed a controversial provision by Senator Ted Stevens, defeating a motion, offered by Senator Dale Bumpers, on a 51-49 vote. The House bill contains no counterpart language, and there are currently no plans in the House to bring such a proposal to the floor separately. The Secretary of the Interior has recommended a veto of the bill if the Senate provision remains in it. The Administration needs to decide about the best strategy for addressing this provision, but I am currently worried about a "timber-rider" type dynamic where Congress tries to force an anti-environmental rider on us as part of an appropriations bill, using the perceived importance of the funding as a way of pressuring us. In addition, I think this could be played as a measure of your willingness to protect the Utah National Monument. We are advised that bulldozers are poised at the border of the Monument -- ready to plow as soon as you sign the legislation. Moreover, we believe that NBC and ABC News are sending crews to the area and that Nightline is considering a piece on it as well.

Recycled Paper

THE PRESIDENT HAS SEEN
5/13/97

DREDGING IN THE PORT OF NEW YORK AND NEW JERSEY

On Wednesday, May 8, Senator Robert Torricelli, Representatives Bob Menendez and Frank Pallone were joined by EPA Administrator Carol Browner and other Administration representatives to announce two critical parts of the dredging plan that the Vice President unveiled last summer for the Port of New York and New Jersey. First, on the environmental protection side of the agreement, EPA issued its proposed regulation for closing the offshore Mud Dump Site and designating a larger remediation site to address historic contamination. Use of the MDS had been virulently opposed by environmental and community groups. Second, on the economic side of the agreement, the Army Corps of Engineers issued a series of final permits that will ensure that long-stalled dredging projects will move forward. The event received positive regional press coverage on television and in print; and I have attached an article for your review.

The event was timed to precede a similar event that Governor Christine Whitman had on Thursday. At that event, the Governor Whitman endorsed our proposal that New York, New Jersey, and the federal agencies form a partnership to agree within six months on a set of long term disposal options that would be acceptable to all parties. Those options could then be developed on an expedited basis.

TRIP TO WYOMING

I attended a two-day board meeting of the Institute for Environmental and Natural Resources at the University of Wyoming. Former EPA Administrator, Bill Ruckelshaus opened the session with an outstanding speech that centered on examples of people and government working together to achieve a sustainable environment and positive relationships in the West.

Governor Jim Gerigner lead discussions on implementation of our nation's environmental policy as it is set out in the National Environmental Policy Act (NEPA). Governor Geringer and I stressed the importance of federal, state, and local collaboration in addressing environmental issues within the rapidly changing western society. Through our partnership with the University of Wyoming, we intend to develop examples of successful NEPA collaboration between citizens and federal, state and local agencies. We hope these examples of NEPA reinvention will be promoted by federal agencies, the Western Governors' Association, Congress and environmental groups.

ENVIRONMENTAL BUSINESS SUMMIT

CEQ hosted an Environmental Business Summit on Thursday which was attended by the leaders of all the state environmental business councils and key environmental industry trade associations. The meeting was also attended by other senior members of the Administration from the Departments of Energy, Commerce, and State and the Environmental Protection Agency. The participants agreed to form a new Environmental Industry Coalition to provide a collective voice for the environmental industry that represents a $170 billion sector of the economy with over 1.3 million high-wage jobs in 60,000 businesses. Key states participating in

the new Coalition include: California, New York, Texas, Washington, Oregon, New Jersey, Florida, North Carolina, and Colorado. There was broad agreement to work with the Administration on regulatory reinvention, metropolitan strategies, environmental export promotion, and legislation.

AMERICAN HERITAGE RIVERS INITIATIVE

Since April 22, we have held 14 regional meetings across the country to gain public input into the development of the American Heritage Rivers initiative. The last one was held in Denver, Colorado on May 7 and was attended by more than 50 people. Across the country, more than 1,000 people have attended these meetings. The feedback received has been used to revise the overall design of the initiative, including the qualifying and selection criteria for designated rivers, and the development of a set of tools for use by community groups. To gain additional public input, a Federal Register notice will be published early next week.

Recycled Paper

The Star-Ledger

IURSDAY, MAY 8, 1997 THE NEWSPAPER FOR NEW JERSEY

EPA to close mud dump off Jersey Sept. 1

By J. Scott Orr
STAR-LEDGER WASHINGTON BUREAU

WASHINGTON — Environmental Protection Agency Administrator Carol Browner yesterday renewed the administration's commitment to a Sept. 1 deadline to dredge the New York-New Jersey Harbor and to end ocean dumping off the state's coastline.

Speaking at a morning Capitol Hill news conference with New Jersey lawmakers, Browner said the agency has signed off on a proposed rule to close the last remaining offshore dump site in the New Jersey area.

At the same time, the Army Corps of Engineers announced a new series of dredging permits that will allow work in the harbor to get under way.

The action is part of a deal worked out by the administration that ended a long fight between harbor interests that wanted the waterways dredged to protect jobs and environmentalists who didn't want contaminated dredge material dumped in the ocean.

"We do not have to choose between our health and our jobs. In fact, the two are inextricably linked," Browner said.

Sen. Robert Torricelli (D-N.J.) added that the deal, first announced last year, is being implemented on schedule despite concerns about the fragile nature of the agreement.

"There was reason last year to be skeptical. It was not easy to keep this coalition together," he said. Torricelli was joined by Reps. Frank Pallone (D-6th Dist.), who represents the Shore and sided with the environmentalists, and Robert Menendez (D-13th Dist.), who represents the Hudson County waterfront and supported the harbor interests.

The final round of dumping at the site is being permitted under a July 1996 pact between the Clinton administration and the environmental activists who forced the de facto closure of the dump site over the previous several years through a series of court suits challenging federal dumping permits.

In return for agreeing to d their legal challenges, the envi mental groups exacted a pron from the corps and EPA to shut ocean dump site on Sept. 1.

Between now and the deadl about 800,000 cubic yards of fill, cluding some containing traces of oxin and other toxic substances, be shipped to the dump site, loca six miles off Sandy Hook in the N York Bight.

'97 MAY 9 PM7:00

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

5/13/97

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May 9, 1997

MEMORANDUM TO THE CHIEF OF STAFF

FROM RAHM EMANUEL

SUBJECT WEEKLY REPORT

CRIME/DRUGS: This week the House passed a Juvenile Justice bill. The legislation falls far short of the bill the President introduced in Boston. We released a Presidential statement criticizing the legislation for failing to address major parts of the juvenile crime problem. The radio address for this Saturday sends a strong message concerning kids and guns and where we believe the House bill came up short. I think the radio address will help us as the Senate begins to focus on this legislation.

I also prepared a letter with Handgun Control to the President from Sarah and Jim Brady and 25 parents who lost their children to accidental shootings. They will release the letter on Saturday immediately following the President's radio address. I have attached a copy of the letter.

I worked this week on the Law Enforcement Memorial event the President will attend on Thursday. The speech will follow through on the President's request to announce the new Brady forms as well as outline the Administration's position on juvenile justice.

The Justice and Treasury Department are preparing a number of reports for the President to release over the next two months. Among the reports will be: " Meth", Community Policing; Mandatory Drug Testing for Inmates, and the Youth Gun Tracking Report.

STRATEGY: In our weekly Hill meeting I mentioned the need to develop an agenda for 1998 in coordination with the Senate and House Democrats. I think one of our bigger problems on selling the Budget to the Democrats is their inability to see an issue agenda for the 1998 elections. We owe our Democrats and this President a full agenda that draws clear lines between the parties.

Bruce and I have talked about the tobacco tax and using it for the five million children and the six month unemployed insurance initiative. Regardless of the specific issues we develop, we must engage the Hill Democrats in a process that determines their future and shows our desire to help them.

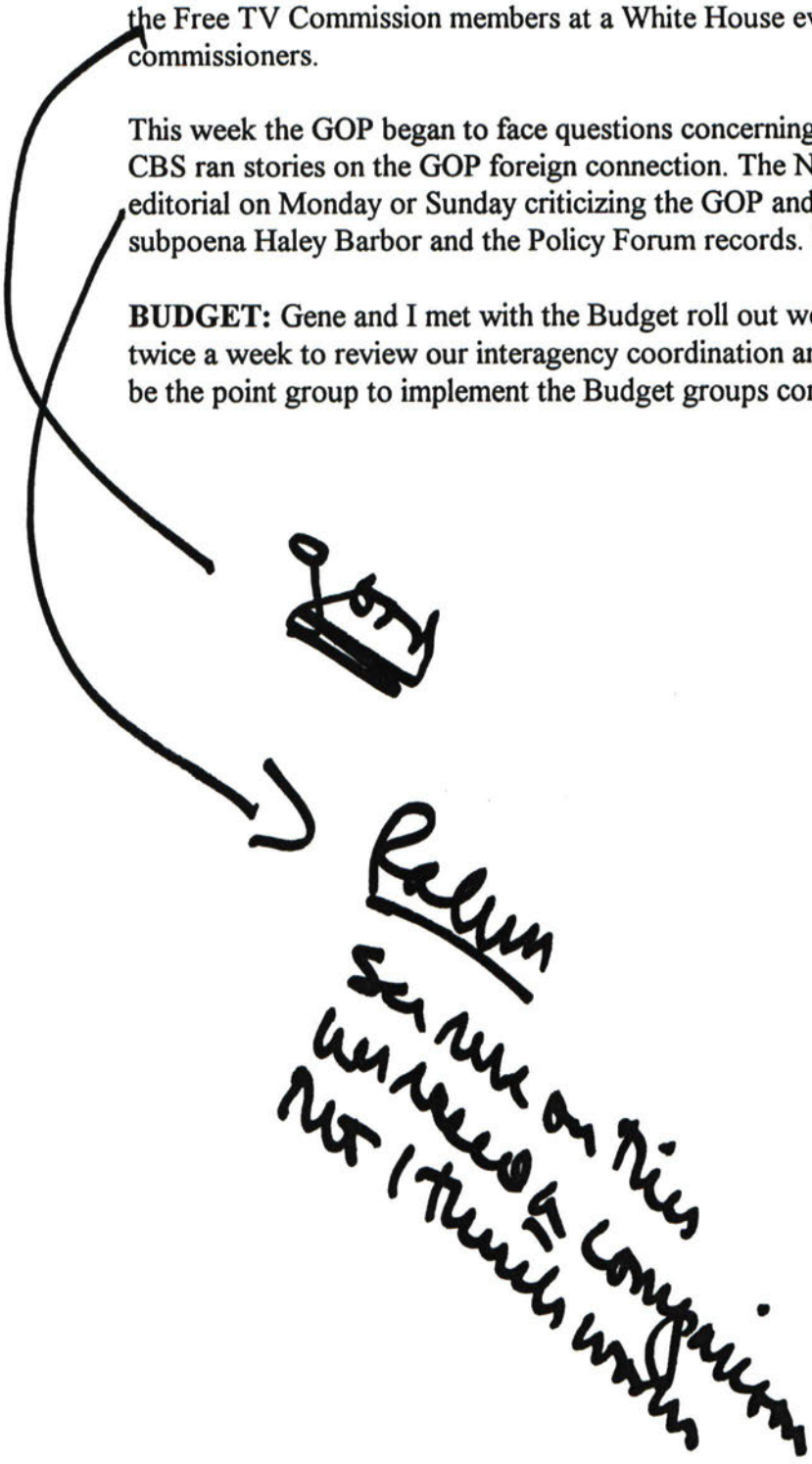
CAMPAIGN FINANCE: It is now clear that neither the Senate nor the House will pass any

THE PRESIDENT HAS SEEN
5/13/97

campaign finance reform legislation prior to July 4th. Therefore, I recommend the following steps be taken leading up to July 4th. 1) File the FEC petition on soft money in early June. 2) Announce the Free TV Commission members at a White House event. 3) Submit our new FEC commissioners.

This week the GOP began to face questions concerning their fundraising practices. Both ABC and CBS ran stories on the GOP foreign connection. The New York Times is planning on running an editorial on Monday or Sunday criticizing the GOP and calling on the Thompson Committee to subpoena Haley Barbor and the Policy Forum records. In short, we made a little progress.

BUDGET: Gene and I met with the Budget roll out working group on Thursday. We will meet twice a week to review our interagency coordination and communication strategy. This group will be the point group to implement the Budget groups communications efforts.



HANDGUN CONTROL

ONE MILLION STRONG . . . working to keep handguns out of the wrong hands.

May 10, 1997

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

During its deliberations earlier this week on H.R. 3, the Juvenile Crime Control Act of 1997, the House leadership blocked a floor vote on your proposed child safety lock legislation. Like most Americans, I am deeply concerned about the failure of the House of Representatives to act on this vital public safety measure. Every day in America, five children and teenagers are shot to death in suicides and accidents. Many of these deaths are easily preventable.

No one knows this better than the parents who have already experienced a family tragedy. I am forwarding to you today a letter signed by 23 parents who have lost a child because a firearm was not properly stored. Like them, I strongly urge you to continue your efforts to pass this life-saving legislation.

Sincerely,

Sarah Brady

Sarah Brady
Chair

Enclosure

Handgun Control, Inc., 1225 Eye Street, NW, Suite 1100, Washington, DC 20005 • (202) 898-0792 • FAX (202) 371-9615
114 Sansome Street, Room 802, San Francisco, CA 94104 • (415) 433-3535 • FAX (415) 433-3357
10951 W. Pico Blvd., Suite 100, Los Angeles, CA 90064 • (310) 446-0056 • FAX (310) 475-3147

May 10, 1997

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

As parents who have lost children because of an improperly stored firearm, we are pleading with you to continue fighting for legislation which would require the sale of a child safety lock with every handgun sold in America.

A loaded gun and an unsupervised child is a deadly combination. Every day in America, five children and teenagers are shot to death in suicides and accidents. Many of these deaths could be prevented by the responsible storage of firearms. But too many parents keep a loaded gun in the home or, even worse, a gun that is loaded and unlocked.

Protecting our children from gun violence is everyone's job. Parents who own a gun should keep it unloaded and locked with the ammunition stored separately. But gun dealers and manufacturers also have a responsibility. Every handgun sold in America should be sold with a safety lock or a lock box designed to prevent children and other unauthorized users from using the gun. Ten dollars is a small price to pay for saving a life or for stopping a child from carrying a gun to school.

We know from personal experience that losing a child is an enormous personal tragedy, but failing to take action against the deadly epidemic of gun violence would be an even greater tragedy. Please, on behalf of families everywhere, don't give up the fight for child safety lock legislation.

Very truly yours,

Karen Sullivan
Rochester, New Hampshire

Sandra Stasenka
Fairfield, California

The President
The White House

Sally Welch
Baltimore, Maryland

David Whitt
Springfield, Virginia

Kay Anderson
Darlington, Indiana

Karen Papen
Toledo, Ohio

Gene Kaiser
Clarksville, Tennessee

Patty May
Fairfax, Virginia

The President
The White House

Susan White-Bowden
Finksburg, Maryland

Michael and Mary Steber
Liverpool, New York

Jim and Lynda Tarr
Houston, Texas

Mr. and Mrs. Edward Tolzman, Jr.
Baltimore, Maryland

Roberto and Judy Soto
Deltona, Florida

Gregory and Tamara Mechem
Littleton, Colorado

The President
The White House

Dianne G. Clements
Houston, Texas

Griffin Dix
Berkeley, California

Tim and Patricia Williams
Muncie, Indiana

'97 MAY 9 PM6:29

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
5/13/97

May 9, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: **KITTY HIGGINS** KH Higgins

SUBJECT: **Summary of Cabinet Weekly Reports**
May 2 - May 9, 1997

DEPARTMENT OF TREASURY

- **IRS Restructuring:** Treasury is working to develop responses to possible recommendations from the National Commission on Restructuring the IRS. On May 15, Treasury will release the IRS architectural blueprint for technological modernization and then publish a Request for Comments (RFC) as part of the effort to secure a new Prime Contractor for future work. Treasury is also working with OMB, NPR and OPM to clarify the details of procurement and personnel issues as they relate to IRS restructuring, including preparing a briefing on implications for labor relations.

- **Financial Modernization:** On May 21, as part of the rollout for this proposal, Secretary Rubin is scheduled to deliver a major address. In the first week of June, the Secretary will testify before the House Banking Committee. Treasury has continued to hold meetings with representatives of interested stakeholders, including the American Council of Life Insurance, the John Hancock Insurance Company and America's Community Bankers.

- **Securities Law:** On May 9, Deputy Assistant Secretary Thompson met with DOJ and SEC officials to discuss the development of a policy paper on Securities Litigation in light of the recent Congressional proposal to federalize securities class action lawsuits.

- **Ukraine:** In preparation for the May 16 meeting of the Vice President and Ukrainian President Kuchma, Treasury and State will co-chair meetings of the U.S.-Ukraine Sustained Economic Cooperation Committee. These meetings are an important opportunity to spur Kuchma and his economic team to a concerted effort to fulfill their reform commitments and get Ukraine's economy moving.

- **Republic of TX:** On April 30, local officials in Pecos, TX, detained seven individuals en route to the Republic of Texas standoff. An ATF investigation revealed that one of the subjects had been in possession of firearms, and the subject was later arrested by ATF agents for federal firearms violations.

- **D.C. Initiative:** On May 6, the D.C. Council rejected the conditions of the MOU for the D.C. Economic Development Corporation proposal. Representative Davis indefinitely postponed his hearing on the economic development component of the plan. Treasury is coordinating with OMB on further steps.

- **Kassebaum-Kennedy:** On May 6, Treasury issued interim guidance interpreting provisions of the Kassebaum-Kennedy legislation that clarify the tax treatment of long-term care insurance and expenses. The release of this guidance can be expected to attract attention in the insurance industry and among advocates for seniors, consumers, and the chronically ill or disabled.

- **Currency Oversight:** On May 1, Comptroller Ludwig testified at the Senate Banking Subcommittee on Financial Institutions and Regulatory Relief oversight hearing on the Office of the Comptroller of the Currency. The Senators expressed concern that the Comptroller had gotten ahead of Congress in his new Part V; however, they recognized that Congressional inaction had made Part V somewhat inevitable. Senators D'Amato and Dodd have indicated that they may introduce a bill as early as May 13 that would call for "functional regulation" of banks, securities firms and insurance companies. Treasury is wary of such a bill, suspecting it may be an attempt to undo some of Part V, although the Senators claim it is a tactic to bring banks to the table to discuss financial modernization.

- **EITC Report:** On May 8, Deputy Assistant Secretary Scholz testified at a hearing of the House Ways and Means Committee on the problems with EITC compliance detailed in a report released by the IRS on April 23. Chairman Archer has called the compliance problem "shocking."

- **Mark-to-Market Proposal:** On April 24, the Administration's mark-to-market bill was introduced in the House by Representatives Lazio and Kennedy, and is expected to be introduced in the Senate next week by Senators Mack and Kerry. Treasury continues to conduct briefings for the tax committees on the bill and met with HUD staff to develop a legislative strategy.

- **Bosnia Appropriations Bill:** On May 5, Senator Johnson introduced an amendment to the bill that would relax banking regulations for some of the victims of flood damage. Under Secretary Hawke sent a letter to Senator Johnson indicating that Treasury supports this amendment. The Senate Appropriations Committee also attached a provision to the bill that would, by withholding funding, bar the IRS from penalizing small businesses

who fail to enroll in the Electronic Funds Transfer Payment System by July 1. Eighteen members of the Senate Finance Committee have cosigned a letter asking Treasury to implement this provision while the Supplemental bill is pending.

DEPARTMENT OF JUSTICE

- **Immigration Reform:** Catholic Social Services, Inc. v. Reno, (E.D. CA). On April 30, the Ninth Circuit upheld the constitutionality of the Illegal Immigration Reform and Immigrant Responsibility Act, ordering that the district court lift its injunctions granting interim relief to the approximately 45,000 members of the plaintiff class and dismiss the class action. This was enacted to end legalization litigation filed on behalf of aliens who did not actually file or attempt to file a timely application for legalization. The court held that it was not a violation of separation of powers for Congress to limit the jurisdiction of the federal courts to review claims of aliens seeking benefits under a statute. Moreover, it held that the Act does not raise due process concerns because it does not limit the issues courts may review; it restricts individuals who may bring claims to those who have been directly affected by INS conduct. Given Congress' sweeping power over immigration policy, the court concluded that it cannot fault the statute on due process grounds.

- **Campaign Finance:** Judicial Watch v. DOJ (D.DC). On April 21, Judicial Watch filed an action under the FOIA against DOJ, seeking a wide range of records relating to "the decision(s) by Janet Reno not to seek appointment of an independent counsel to investigate alleged campaign finance violations"; Reno's reappointment as Attorney General; Eric Holder's nomination as Deputy Attorney General; all communications between the Attorney General and 33 individuals (including Harold Ickes, Leon Panetta, Michael McCurry, Ronald Brown, Mickey Kantor, FBI Director Freeh, Senators Feinstein, Boxer, and Kennedy, Webster Hubbell, John Huang, and Hillary Rodham Clinton); all analyses regarding allegations of violations of campaign finance laws; and numerous other DOJ records. The complaint was filed as a related case to Judicial Watch v. DOC (D.DC), which is currently pending before Judge Lamberth. On May 23, defendant's answer or other response to the complaint is due.

- **School Harassment:** On April 29, DOJ intervened in Kyla Krengel, et al. v. Santa Clara, CA, Unified School District (N.D. CA), a peer harassment case brought last year by a group of female students who were general managers of a high school football team and have alleged that the school failed to take action to halt objectionable conduct by team members, including fondling, touching and vulgar language, and that they notified the football coach, the principal and the superintendent. No disciplinary action was ever taken, and the school never investigated. Defendants have argued that Title IX does not cover peer harassment and that, even if it does, the alleged actions do not constitute sexual harassment. DOJ has filed as plaintiff-intervenors.

- **Art Grants:** Finley v. NEA, (May 1, 1997) [9th Cir.; C.D. CA]. A panel of the Ninth Circuit, by a divided vote, upheld a district court decision that held unconstitutional, on First Amendment and vagueness grounds, an amendment to the NEA's organic statute which provides that the NEA "shall insure that artistic excellence and artistic merit are the criteria by which [grant] applications are judged, taking into consideration general standards of decency and respect for the diverse beliefs and values of the American public." On May 1, the court of appeals denied rehearing. Three judges dissented, arguing that the majority opinion "sows the seeds of an imprudent First Amendment jurisprudence which will entangle and choke Congress' ability to control public funds used to sponsor any sort of free expression." DOJ will explore whether the Acting Solicitor General should seek *certiorari.*

- **Don't Ask, Don't Tell:** Watson v. Cohen, (Apr. 28, 1997) [9th Cir.; W.D. WA]. Watson, a Navy lieutenant, was ordered separated for violating "Don't Ask, Don't Tell." Watson filed suit to enjoin his discharge. The court subsequently granted summary judgment for the government. Watson appealed, and the court of appeals ordered that the preliminary injunction would remain in effect pending appeal. During appellate proceedings, Watson was recommended for promotion and you submitted Watson's nomination to the Senate. At the same time, Assistant Secretary of Defense Pang sent a letter to the Senate Armed Services Committee advising that Watson had been processed for separation. The Senate returned Watson's nomination without acting on it, and Watson sought to hold DoD in contempt for having sent the Pang letter. DOJ asked the appeals court to modify the injunction pending appeal to include a sentence stating that the order does not prevent the Executive Branch from communicating accurate information about Watson to Congress pursuant to its duties and responsibilities under the Appointments Clause. The Ninth Circuit granted the motion, removing restraint on the ability of the Executive Branch to perform its constitutional responsibilities.

- **Citizenship Ruling:** Miller v. Albright, (Apr. 28, 1997) [D.C. Cir.; D.DC]. Petitioner was born out of wedlock in the Philippines in 1970 to a U.S. citizen father and a Filipino mother. Under 8 U.S.C. § 1409(a), the foreign-born illegitimate child of a U.S. citizen father must be legitimated during the child's minority in order to obtain citizenship; there is no such legitimation requirement for the foreign-born child of a U.S. citizen mother. Petitioner challenged the constitutionality of Section 1409(a) on equal protection grounds, arguing unlawful discrimination on the basis of gender and illegitimacy. The Court of Appeals has upheld the statute on the merits, finding that the statute is supported by a facially legitimate and *bona fide* reason. The Supreme Court has now granted *certiorari* in a Ninth Circuit case raising a similar issue.

- **Knock and Announce:** In Richards v. WI, the Court held that the Fourth Amendment does not permit a blanket exception to the knock-and-announce requirement for felony drug investigations. The decision overturned the ruling of the WI Supreme Court, which held that prior Supreme Court precedent did not preclude WI's *per se* rule that officers are

never required to knock and announce when executing a search warrant in a felony drug case. Writing for a unanimous Court, Justice Stevens ruled that the Fourth Amendment does not allow such a blanket exception to a certain class of cases, and that a case-by-case evaluation is required.

- **U.S. Fugitive in China:** On April 24, the Chinese Government surrendered Li Chia Cheng, a Burmese national, to U.S. authorities at Beijing International Airport. This is the first time that Chinese authorities have returned a fugitive to the U.S. Li is wanted to stand trial in the Eastern District of NY on narcotics charges. More than one year ago, Li was detained by Chinese authorities in Kunming after traveling there from Thailand to seek medical treatment at a military hospital.

- **Former Nazi Guard Deported:** On April 28, in the Eastern District of MI, Ferdinand Hammer of Sterling Heights, MI, was ordered to be deported to Croatia for his participation in Nazi-sponsored acts of persecution while serving as an armed SS guard at Nazi concentration camps in Germany and Poland during World War II. Hammer served as a guard at the Auschwitz concentration camp in Nazi-occupied Poland and the Sachsenhausen concentration camp in Germany.

- **Citadel Enrollment:** On April 28, in U.S. and Mellette v. Jones (D.SC), DOJ's challenge to single-sex education at the Citadel, DOJ asked the court to require the Citadel to promulgate immediately a final plan for the assimilation of women at the school so as to provide the government and the court time to review it prior to the 1997-98 school year, and to permit DOJ to take such additional discovery as may be necessary, with these narrow time constraints, to determine the adequacy of the plan. DOJ's criminal investigation of hazing incidents of female cadets last year at the Citadel is ongoing.

- **Minority Districts:** On April 25, the three-judge court in Able v. Wilkins (D.SC), ruled for the defendants and the U.S., rejecting plaintiffs' racial gerrymander challenge to two newly-drawn majority black districts in the SC State House of Representatives. The court held that plaintiffs had not met their burden of showing that race predominated in the design of the districts, which were developed by SC in response to a decision of the court holding that six of nine challenged house districts were unconstitutional racial gerrymanders. In April, DOJ precleared the new districts under Section 5 of the Voting Rights Act.

- **Judicial Nominations:** On May 7, the Senate Judiciary Committee held a hearing on the following nominations: Eric Clay, to be a U.S. Circuit Judge for the Sixth Circuit Court of Appeals; Arthur Gajarsa, to be a U.S. Circuit Judge for the Federal Circuit; Thomas Thrash, to be a U.S. District Judge for the Northern District of FL; and Alan Gold, to be a U.S. District Judge for the Southern District of FL.

- **Appropriations Hearing:** On May 13, Attorney General Reno and Director Freeh will testify before the full Senate Appropriations Committee on counterterrorism.

- **Media Inquiries:**
  - The *New York Times Magazine* and the *Boston Globe* are working on feature articles on Attorney General Reno.
  - On May 13, *NBC's Today Show* will air a piece about the Border Patrol.
  - This week, *CNN* is doing a piece on DOJ's affirmative action procurement guidelines.

DEPARTMENT OF COMMERCE

- **Latin America:** On May 10, Secretary Daley will embark on an 11-day trade mission to Latin America. The Secretary will stop in Brazil, Argentina and Chile to further U.S. commercial interests and promote the goal of hemispheric commercial integration. The trip will be divided into two components: 1) a business development mission to Brazil, Argentina, and Chile; and 2) participation in the Americas Business Forum in Belo Horizonte, Brazil. The focus of the trip will be the commercial opportunities, including joint ventures, presented by the development and liberalization in the infrastructure and other key industry sectors of Brazil, Argentina and Chile.

- **Census 2000:** This week, the full Senate considered its FY97 Supplemental Appropriations Bill. On April 29, the Senate Appropriations Committee passed the Supplemental Bill. The bill and its report contained language prohibiting the use of any FY97 funds for preparations to use sampling in the 2000 census. An amendment in committee by Senator Hollings to strike the "no sampling" language from the bill failed. Letters in support of Census 2000 were sent to Congress by the National Association of Counties, the National League of Cities, the U.S. Conference of Mayors and the Leadership Conference on Civil Rights. On May 6, an editorial supportive of sampling ran in the *New York Times*. Other favorable editorials are expected.

- **Grand Forks Flooding:** On May 4, a story published in the *Grand Forks Herald* claimed that the residents of the Grand Forks might have had more time to prepare for the record flooding if coordination had been better between the U.S. Army Corps of Engineers and the National Weather Service (NWS). The article alleged that the Corps had measurements about the effects of the six bridges over the Red River that would have provided information that could have increased the accuracy of the hydrologic forecast models run by the NWS North Central River Forecast Center (NCRFC) in Chanhassen, MN. Senator Conrad is quoted in the article as being "concerned" about the lack of teamwork between the two agencies. There have been no media calls to NWS Public Affairs in Washington, D.C., about the story, but about a half dozen calls have been made to the NCRFC since the publication of the article.

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- **Western Region Flooding:** The potential for winter/spring flooding remains above normal across most of the northern half of the Western Region. The east slopes of the Cascades in WA, ID, northern UT and MT have the highest potential for flooding. While the current conditions in the northern part of the Western Region indicate that while the potential for flooding is high, it is not a certainty. The weather experienced during the next month or so will be critical in determining the magnitude and location of flooding.

- **Mid East Telecommunications:** Telecommunications companies from the U.S. and France are bidding on a $700-800 million dollar geosynchronous mobile satellite system for telecommunications in the Middle East. The program manager and the government representatives from the primary sponsor of the project have indicated that no U.S. firm may receive the bid unless it can give definite evidence that the winning bidder could obtain U.S. Government approval for export, installation, and servicing of ground stations in certain countries (e.g., Iran, Iraq, Libya, Syria, and Sudan). Licenses for these destinations are extremely problematic under current export control policies.

- **Illegal Computer Exports:** On April 18, Acting Assistant Secretary for Export Enforcement Deliberti ordered Compaq Computer Corporation of Houston, TX, to pay a $55,000 civil penalty to resolve allegations that it exported computer equipment from the U.S. without obtaining the required export licenses.

- **Libya Shipments:** On May 5, BXA issued a release announcing a temporary denial order on Thane-Coat, Inc., of Stafford, TX, its president and vice-president, and two of its affiliates. The order was issued to prevent imminent violations of the Export Administration Regulations based on information that the parties had participated in shipments to Libya without the necessary export authorization.

- **Data Online:** Next week, NIST expects to announce that it is offering a new electronic service on the World Wide Web to help scientists retrieve chemical and physical data collections in one convenient location.

- **Newborn Treatment:** Next week, NIST will publicize its work in helping pediatric researchers advance a new treatment for newborn infants who suffer from persistent pulmonary hypertension, where insufficient oxygen is exchanged in their lungs to support vital organs. NIST chemists have worked with the National Institute of Child Health and Human Development on critical measurements to evaluate whether harmful levels of nitrogen dioxide would reach the infant during a promising new treatment and to evaluate new sensors being designed for use with this new therapy.

- **Ireland:** On May 14, the first meeting of the U.S.-Northern Ireland Joint Board under the Technology Administration's MOU with Northern Ireland will be held. Assistant Secretary Graham Mitchell will represent Under Secretary Good as a U.S. member of the Joint Board.

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

Advance Retail Sales (April)	May 13
Manufacturing and Trade: Inventories and Sales (March)	May 14
Housing Starts and Building Permits (April)	May 16
U.S. International Trade in Goods and Services (March)	May 21

- **ITA Success Stories:** A CA-based telecommunications company, Qualcomm, was awarded a $50 million (all U.S. content) telecommunications contract in Mauritius. Qualcomm stated in its advocacy request that 300 jobs would be created or retained as a result of the contract. SWIPCO was awarded a management service contract in Argentina to provide an efficient mechanism for the disbursement of funds provided by multilateral lending organizations. SWIPCO estimates the value of the U.S. service exports to be about $10 million.

DEPARTMENT OF LABOR

- **Herman Swearing-In:** On May 9, Alexis Herman was formally sworn in as Secretary of Labor by Vice President Gore.

- **Working Women's Summit:** On June 5, DOL's Women's Bureau will host a National Working Women's Summit. The theme of the satellite broadcast is Economic Equality: Realities, Responsibilities and Rewards. DOL expects to reach over 10,000 women through the simulcast at downlink sites in every state.

- **CT Displaced Workers:** This week, DOL will award up to $4.3 million to CT to provide job training and reemployment services to 975 of the approximately 1,500 workers who are expected to be laid off in 1997 from the Electric Boat Division of General Dynamics Corp. in Groton, CT.



CA Proposition 65: OSHA has completed its review of a standard promulgated by CA under its OSHA-approved State plan which concerns responsibilities of employers and manufacturers to warn of workplace exposure to hazardous chemicals and includes provisions of Proposition 65, the Safe Drinking Water and Toxic Enforcement Act, passed by the voters in 1986. Proposition 65 includes a provision for supplemental enforcement by private lawsuits and has generated a great deal of interest from industry, environmental groups and Congress. OSHA is proposing to approve the standard with specific limitations. Administration concurrence in this decision is being sought. Congress included language in the FY97 Appropriations directing OSHA to expedite its review. OSHA's commitment to Congress is to publish its decision by June 1.

Upcoming BLS Data Releases:

Producer Price Indexes for April	May 14
CPI for April	May 15

- **American Airlines:** Members of the Allied Pilots Association have ratified a new five-year agreement with American Airlines. Of the 8,168 pilots who participated in the balloting which ended on April 30, 5,661 voted for ratification. The new contract includes nine percent pay increases over term, 5.75 million stock options, a phase-out of the two-tier wage scale, and a compromise arrangement on the regional jet issue. In a release announcing the results, APA President Sovich stated that the outcome means that the pilots of American Airlines have opted to move to a "trust but verify" mode with respect to AMR Corporation.

- **Steelworkers Agreement:** On May 3, representatives of the Steelworkers and Goodyear Tire & Rubber Company reached tentative agreement on a six-year master contract covering more than 12,000 employees who struck nine of the company's plants on April 20. The strike will continue until the agreement is ratified. Details are not available, but the agreement -- the longest master contract ever in the rubber industry -- reportedly includes improvements in wages, benefits and employment security.

- **Chrysler Strike:** In the auto industry, talks are continuing in the strikes by the UAW over local contracts at Chrysler. Although some 3,000 employees at its Kokomo, IN, and Kenosha, WI, plants were recalled recently, about 17,000 nonstriking workers remain idled at assembly and parts plants in the U.S., Canada and Mexico. The outsourcing of about 300 jobs reportedly is the key issue in dispute.

- **UAW Dispute:** Officials of Caterpillar and the United Auto Workers have welcomed an effort by Federal Mediation and Conciliation Service (FMCS) Director John C. Wells to resume talks aimed at addressing outstanding issues in their five and one-half year dispute. On May 2, Director Wells announced that he will meet individually with Caterpillar Vice President Wayne Zimmerman in Peoria, IL, and UAW Vice President Richard Shoemaker in Detroit, MI, before convening a joint discussion. No dates have been set for the meetings.

- **CA Red Cross Strike:** On April 28, more than 200 Red Cross nurses and medical assistants represented by Service Employees Local 535 at blood donor sites in Los Angeles and Orange counties went on strike following management's implementation of its final contract proposal. On March 31, the contract between the parties expired and the union called off a planned strike at the request of an FMCS mediator. When talks failed to produce an agreement, the Red Cross imposed changes which the union contends could jeopardize the safety of donors and the blood supply. Management, for its part, denies the charges and maintains that the dispute centers around demands for wage increases which it cannot afford.

- **Health Care Commission:** On May 13, the Advisory Committee on Consumer Protection and Quality in the Health Care Industry will have its first meeting. This Commission, co-chaired by the Secretaries Herman and Shalala, is charged with studying and making recommendations on issues affecting health care, especially consumer protections, quality and the availability of treatment and services.

- **Hearings:** On May 14, Secretary Herman will testify before the Labor, HHS and Education Subcommittee of the House Appropriations Committee.

- **Pension Abuse:** DOL is coordinating an event with Attorney General Reno to announce indictments in a number of 401(k) pension fraud cases. On May 15, Secretary Herman and the Attorney General plan to announce these indictments. The event will emphasize the Administration's continuing efforts to protect workers' retirement savings. Major press coverage is expected.

- **Worker Safety:** On May 19, Secretary Herman will join family physicians and an OH family whose child suffered a serious on-the-job injury to kick-off DOL's second annual Work Safe This Summer public education campaign. Every year, more than 200,000 teens are injured at work. DOL will announce a website with tips for parents, teens and employers. DOL will also announce a teen spokesperson for the campaign and will unveil television and print public service announcements. Kmart stores will distribute 37 million shopping bags promoting the Work Safe This Summer Campaign.

- **Summer Jobs:** A national Private Sector Summer Jobs Kick-Off event is being planned for late May or the first week in June. The purpose of the event is to encourage private sector participation in the Summer Youth Employment Program, which employs approximately 500,000 at-risk youths across the country. DOL officials, business leaders, youth workers and local elected officials would participate. A commissioned case study of successful private sector jobs programs will be released at this event.

DEPARTMENT OF TRANSPORTATION

- **New National Airport Tower:** On May 12, Secretary Slater will speak at the dedication of the new Washington National Airport Tower.

- **ValuJet:** On May 6, FAA held a media availability regarding the one year anniversary of the ValuJet accident. Guy Gardner, Associate Administrator for Regulation and Certification, answered questions from reporters. There continues to be heavy media interest with an emphasis on the status of fire suppression and detection regulations. On May 7, FAA met with carriers to clarify issues perceived as slowing action on detection.

- **Welfare to Work:** On April 29, Secretary Slater launched DOT's Welfare to Work program with a live DOT-wide, nationwide satellite briefing with employees.

- **Thailand Air Safety:** On April 28, FAA as part of its ongoing initiative to provide the public with more information about aviation safety in international travel, announced that Thailand had been reassessed and found to comply with international safety standards.

- **D.C. Initiative:** DOT is working with the D.C. Government, "Project Accord," and the D.C. public schools to place Anacostia High students with various offices in the General Counsel's Office as summer aides. Funding will be provided through a District program. DOT will be providing mentoring/career development assistance to the students.

- **CA Drug Seizure:** On April 25, Coast Guard and Customs personnel seized 322 lbs of marijuana from a small boat off San Diego, CA, and arrested 3 individuals. This is the first seizure for BORDER SHIELD.

- **Operation GULF SHIELD:** On April 30, Coast Guard and Customs personnel seized 1,025 lbs of marijuana, arrested 5 and seized a Mexican boat attempting to smuggle narcotics on Boca Chica Beach, TX.

- **Security Breach Attempt:** During the weekend of April 26-28, a computer system located at the University of York, UK, made several attempts via the Internet to access FAA data systems at the Aeronautical Center. Attempts were detected and blocked by a system security firewall. FAA Security is working with the FBI to investigate.

- **CA Airport Revenue:** On April 30, the Los Angeles City Council voted to return a disputed $30.3 million to the Airports Department, in order to receive $56 million in frozen AIP funds. News reports state that the City Council's move was part of a negotiated strategy between the Council president, the mayor, the Airports Department director and the Air Transport Association (ATA) under which the ATA would back off of the $58 million Century Freeway dispute and support the proposed $12 billion expansion of LAX. The $30.0 million in dispute arose from a transfer in 1996 of about $31.1 million to the City general fund as payment for claimed unreimbursed City contributions to the airports dating from the 1920s. The amount in dispute was found by FAA to be unjustified legally and factually and to constitute unlawful airport revenue diversion.

- **Carrier Grounded:** On May 2, FAA revoked the air carrier operating certificate of Rasmark Jet Charter of El Paso, TX, for conducting numerous revenue flights using unairworthy aircraft. Rasmark is involved principally with the carriage of freight.

- **Adarand:** DOT anticipates issuing a supplemental notice of proposed rulemaking (SNPRM) to modify its disadvantaged business enterprise (DBE) regulations. The purposes of the SNPRM are to narrowly tailor key provisions of the rule in response to the Supreme Court's decision in Adarand v. Peña and to reinvent the rule to reduce

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the SNPRM, DOT consulted with constituency groups and briefed staffs of Congressional committees which are considering reauthorizing the provision on which the DBE program is based. This provision is part of the Administration's NEXTEA proposal. DOT will formally send the SNPRM to OMB for clearance this week.

- **ND Flood Update:** The Red River crest has moved into Canada, and water levels are dropping throughout the Red River Valley. The flood waters are expected to recede slowly, so damage assessment will be delayed for some time in ND's most eastern counties and cities. I-29 has been reopened from Fargo to Grand Forks. DOT is doing site-by-site damage surveys, progressing from the southwest toward the northeast. The site reviews are expected to take most of May. NDDOT has requested quick release of $10 million in ER funds to begin to address damage to Federal-aid roads.

- **Media Activities:**
  - *USA Today* is preparing an article on the status of the 90-day review, expected to be published at about the time of the one year anniversary of the ValuJet crash.
  - On May 11, *Dateline* will air a three-part piece on the ValuJet anniversary.
  - The *Washington Post* is finalizing a major two-part feature on the history and future of air bags that may run May 11-12.
  - *ABC Nightline* has prepared a segment about NAFTA, inspections and truck crossings at the southern border, but has not yet scheduled an air date.
  - *NBC News* and *USA Today* requested a copy of the OIG report on FAA's Process for Assessing the Boeing 777 for Early Extended Range Operations with Two-Engine Airplanes (ETOPS). The report was not provided. GE and Boeing have objected to release of information in the report.

- **NEXTEA:** DOT is working with CEQ, OMB and EPA to promote environmental proposals in the Administration's NEXTEA proposal. On May 7 and 9, White House events were held for environmental and labor organizations. This week, The Senate E&PW Committee held its final hearing before markup. The hearing focused on safety.

- **FAA Directive:** On May 9, the FAA issued an AD requiring new de-icing procedures and equipment for EMBRAER aircraft. Icing conditions were suspected as the cause of the Comair accident on January 9.

UNITED STATES TRADE REPRESENTATIVE

Guatemala GSP: On April 5, Ambassador Barshefsky announced that the U.S. terminated the GSP worker rights review of Guatemala. In 1992, following the receipt of several petitions alleging that Guatemala was not providing internationally recognized worker rights, USTR initiated a GSP eligibility review. The most noteworthy progress during the review has been accomplished under the presidency of Arzu, which has been characterized by a dramatic reduction in the intimidation of workers and their leaders.

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- **APEC Ministerial:** On May 8-10, Ambassador Barshefsky will attend the APEC Trade Ministers' Meeting in Montreal, Canada. The focus of the Ministerial will be on exploring new sectors for further trade liberalization. Ambassador Barshefsky will also hold bilateral meetings with a number of trade ministers, including those from Singapore, Indonesia, and Hong Kong. In addition, Ambassador Lang will attend the conference in an effort to build global support for the WTO financial services negotiations.

- **Japan Insurance:** USTR has begun preparations for consultations with Japan to assess implementation of the 1994 and 1996 insurance agreements. Consultations will likely take place in early June in Tokyo. This will be the first consultations with Japan since reaching agreement in December 1996 on a series of measures to deregulate Japan's insurance market consistent with the underlying bilateral agreement. This consultation will precede the issuance of a report by the Insurance Council, an advisory body to the Ministry of Finance, expected to make recommendations regarding several issues of critical importance to U.S. and other foreign insurance.

- **Ambassador's Schedule:** On May 15-17, Ambassador Barshefsky will travel to Belo Horizonte, Brazil, to attend the FTAA Trade Ministerial.

SMALL BUSINESS ADMINISTRATION

- **Disaster Assistance:** As of May 7, SBA has issued 23,404 applications to disaster victims in ND and has approved 208 loans totaling $2.8 million. In MN, the SBA has issued 8,647 applications and approved 165 loans totaling $2.7 million. In SD, SBA has issued 4,439 applications and approved 241 loans totaling $3.4 million.



Executive Privilege: On May 7, in his opening statement at a Senate Small Business Committee hearing, Chairman Bond was very critical of the Administration's decision to withhold certain decision-making documents from the Committee and renewed his request for these documents. Under Section 10(e) of the Small Business Act, the authorizing committees have access to a wide array of agency documents. In a letter responding to the Committee's request for documents under 10(e), Administrator Alvarez requested that the Committee keep certain internal decision-making memoranda confidential and informed the Committee that the Administration would withhold three other documents under a claim of executive privilege from the White House.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **AR Chemical Blast:** On May 8, an explosion and fire at a West Helena, AR, chemical plant killed three firefighters and injured nearly 20 persons. The blast tore apart the BPS, Inc., plant, a facility that packages agricultural pesticides. A toxic cloud of burning chemicals drifted east toward the city of Helena. Hundreds of people within a two-mile radius of the plant were evacuated, including the nearby Helena Regional Medical Center.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Tuskegee Event:** On May 16, you will formally apologize to the remaining survivors and relatives of nearly 400 impoverished African-American men who were left untreated for syphilis during a Public Health Service research study generally known as the Tuskegee Syphilis Study. Dr. David Satcher, CDC Director, will speak at the event on behalf of HHS.

- **NY Medicaid Waiver:** HHS continues to discuss NY's 1115 Medicaid demonstration proposal with State officials. Additional discussions are planned in the next few days.

- **TX SSI:** On May 2, HHS and USDA representatives met with TX officials to discuss the State's efforts to integrate and privatize its eligibility determination systems for SSI, cash assistance, food stamps, and Medicaid. HHS and USDA committed to permit TX to release the Request For Offers subject to the terms of a letter describing the extent of privatization permitted under the Food Stamp and Medicaid statutes. HHS expects to send a draft of the letter to TX by May 9 and provide a final copy shortly thereafter. After the May 2 meeting, TX officials, including Governor Bush, publicly criticized the Administration.

- **CO Competitive Pricing:** Last week, the Senate Appropriations Committee passed an amendment to their FY97 Supplemental Appropriations Bill that would prohibit the use of funds to implement the Competitive Pricing Demonstration in Denver, CO. Senator Campbell has already issued a press release stating that he has killed the demonstration. On May 6, HCFA Administrator Vladeck met with the CO congressional delegation to discuss the demonstration. Bids under the demonstration are due to HCFA on May 15.

- **MO Kassebaum-Kennedy:** The MO Insurance Commissioner has informed HHS that the State will not be developing regulations complying with last year's Kassebaum-Kennedy health insurance act (HIPPA) during the State's legislative session which ends on May 16. HIPPA provided states with the option of developing and enforcing their own regulations for the individual insurance market or adopting the Federal regulations and enforcing them at the state level. Since MO has neither enacted their own regulations nor elected to enforce the Federal regulations, the Federal regulations will take effect by default and will be enforced by HCFA. MO has not yet publicly announced this decision, which will affect every insurer in the State, including health maintenance organizations.

- **Medicaid Eligibility:** Welfare reform changes to the Supplemental Security Income (SSI) program caused a new problem concerning Medicaid eligibility for individuals who receive SSI. Previously, individuals who applied for SSI generally were made eligible for SSI in that same month and also became eligible for Medicaid in their month of application. The welfare law will delay the onset of SSI payments until the month following the month of application for SSI. Because Medicaid provides retroactive

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eligibility, it appeared that the month of application would now contain a gap in Medicaid coverage, with retroactivity beginning before that month and new coverage beginning the month after. On May 2, HCFA issued a letter to state Medicaid Directors clarifying that the month of application to SSI can be considered part of the retroactive period, and this gap would therefore be eliminated.

- **Medicare Fraud:** Charles Quisenberry, a provider of medical supplies, and his daughter Jody Weiss, were sentenced in MI after pleading guilty to RICO violations in their scheme to defraud the Medicare program of $25 million. They billed Medicare for duplicate and inflated claims for thousands of patients in hundreds of nursing homes nationwide.

- **Premarin:** On May 5, FDA announced that at this time it will not approve synthetic generic forms of Wyeth-Ayerst's estrogen-replacement drug, Premarin. Because generic drug manufacturers do not have to repeat the clinical studies used to develop an original brand-name drug, they must ensure their products are as safe and effective as the originals. They must show that the active ingredients are the same and that the products are bioequivalent in treating women with menopausal symptoms and in preventing osteoporosis. FDA is encouraging the initiation of studies that will permit the scientific determination of the active ingredients in Premarin and thus provide a potential scientific basis for approval of generic versions of the drug.

- **Community Service:** On May 14, representatives of the Administration on Aging, EPA, the Corporation for National and Community Service, and the Environmental Alliance for Senior Involvement will participate in a signing ceremony for an MOU to develop cooperative relationships that will involve older American volunteers in the protection of America's national resources and environment.

- **Nicotrol Inhaler:** On May 5, FDA approved the Nicotrol Inhaler (Nicotine Inhalation System), manufactured by Pharmacia & Upjohn and marketed by Mc Neil Consumer Products, for prescription use in smoking cessation. This nicotine replacement product delivers nicotine replacement therapy like products already on the market, but delivers its nicotine dose through a cartridge that is inhaled. In clinical trials, quit rates were comparable to other smoking cessation products already on the market.

- **Welfare Reform:** Next week, HCFA expects to send guidance to states on distribution of the $500 million allocated for implementation of the Medicaid aspects of welfare reform. Last year's legislation provided $500 million in additional Federal funds for enhanced Federal matching of states' Medicaid eligibility related administrative expenditures attributable to implementation of welfare reform.

- **Informed Consent:** On May 8, the House Government Reform and Oversight Subcommittee on Human Resources and Intergovernmental Relations will hold a hearing on the processes for securing informed consent in clinical trials.

- **AIDS Vaccines:** On May 21, Representative McDermott will hold a Congressional briefing on HIV/AIDS vaccines. Dr. Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, has been invited to participate.

- **Secretary's Schedule:** On May 10, Secretary Shalala will deliver the commencement address at the University of MS, in Oxford, MS.

- **BRCA1:** The May 14 issue of the *New England Journal of Medicine* will publish a report on the link between the BRCA1 gene and the incidence of breast cancer in Ashkenazi Jews. Next week, the National Cancer Institute will host a press background briefing on the NIH campus to explain the science and answer questions.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Bad Landlords:** On May 8, as part of HUD/DOJ's "Get Tough on Bad Landlords" campaign, Secretary Cuomo, with the U.S. Attorney for northern CA, Michael Yamaguchi, announced federal enforcement action taken against Bruce Rozet and Dean Earl Ross. Rozet, known as the poster child for bad landlords, and Ross are the owners of numerous HUD-controlled and subsidized properties in northern CA and NV.

- **Economic Development Grants:** This week, Secretary Cuomo announced $21.8 million in Section 108 economic development loan funds for eight cities: Mobile, AL ($1.45 & $1.47 million); Merced, CA ($2.6 million); Santee, CA ($2 million); Union City, CA ($3.9 million); East Hartford, CT ($3 million); Haverhill, MA ($4 million); Muskegon, MI ($1.5 million); and Raymond, WA ($1.9 million).

- **MD Revitalization:** On May 4, Secretary Cuomo announced several actions to accelerate Baltimore's revitalization, including approval of $6.3 million in new programs in the city's Empowerment Zone: $2.5 million for low-interest loans and investment in small businesses in the Empowerment Zone; $2.5 million in grants and $500,000 in loans to businesses in the Zone to help finance cleanup of environmentally polluted industrial areas; and $1.3 million annually for three years to operate after-school programs for the 26 schools in the Zone and seven nearby schools.

- **TX Homebuyer Fair:** The first-ever HUD Homebuyer Fair, held by the HUD Houston Office on April 26, was an overwhelming success. More than 6,000 people attended, filling the educational seminars to capacity throughout the day. Nearly 70 real estate industry exhibitors provided information to potential first-time home buyers.

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- **HUD's New Chief of Staff:** Secretary Cuomo announced the appointment of Margaret Sullivan as HUD Chief of Staff. Sullivan was Chief of Staff to the USTR for the past year, and formerly worked as Special Assistant to Defense Secretary Perry, as a Policy Adviser to Congressman Gephardt, and as a staffer for the House Intelligence Committee and the House Armed Services Committee.

- **Secretary's Schedule:** Secretary Cuomo will participate in the following events:
  - **May 8** - Meeting with members of NJ congressional delegation on the Camden Housing Authority.
  - **May 9** - Announcement of enforcement action in conjunction with U.S. Attorney's Office of San Francisco.
  - **May 12** - Lunch with members of *Newsweek*.
  - **May 15** - Travel to AR with Secretary Slater.

VETERANS AFFAIRS

- **Flood Assistance:** Secretary Brown has mobilized medical, benefits and administrative staffs to work with veterans and their families to ensure uninterrupted services. VA is providing emergency assistance to veterans, community refugees, and its own employees in areas of ND and MN suffering from the staggering effects of recent flooding.

- **Volunteerism:** VA has pledged to increase by 50 percent the number of young volunteers serving in VA facilities. The presence of volunteers is felt primarily in VA medical care, where they escort patients at medical centers, assist with recreation activities and serve veterans in home-based programs. VA currently counts approximately 10,000 youth among the nearly 100,000 volunteers who annually contribute nearly 14 million hours of service to the Nation's veterans.

- **Persian Gulf Experts Meeting:** On June 16-17, VA's Persian Gulf Expert Scientific Committee will meet at VA Headquarters to review all aspects of patient care and medical diagnoses for Persian Gulf War veterans, providing professional consultation as needed.

OFFICE OF NATIONAL DRUG CONTROL POLICY

MADD Address: On May 12, Director McCaffrey will address the MADD National Youth Summit in Washington, D.C. The Summit is designed to: 1) Bring together high-school students from the 435 congressional districts across the country; 2) Provide young people with a forum to discuss alcohol-related topics from a national and community perspective; and 3) Discuss new solutions and creative approaches from the young people directly affected by the problems of youth access to alcohol and impaired driving.

- **DEA Address:** On May 13, Director McCaffrey will present opening remarks at the DEA "Prevention Through Service" Conference which will be attended by 85 delegates of many major civic organizations representing more than 50 million adults and youth.

SOCIAL SECURITY ADMINISTRATION

- **Welfare Reform:** This week, the House Committee on Ways and Means, Subcommittee on Human Resources may hold a hearing on the implementation of childhood disability provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. SSA expects to be invited to testify.

- **Acting Commissioner's Schedule:**
  - On May 12-13, Acting Commissioner Callahan will be in San Francisco, CA, to participate in a variety of Welfare Reform related events at immigrant community centers located in the area. Media attention is expected.
  - On May 14, Acting Commissioner Callahan will be in Sacramento, CA, to present the keynote address at two Immigration and Naturalization citizenship swearing-in ceremonies.

DEPARTMENT OF INTERIOR

- **AK Land Agreements:**
  - On May 13, Secretary Babbitt will sign an agreement with the Kenai Native Association (KNA) that will settle a 17-year dispute between DOI and KNA. Through Exxon Valdez Trustee Council funds, DOI will be purchasing over 3,200 acres of prime habitat in the Kenai River watershed. This land will be added to the Kenai National Wildlife Refuge. Pursuant to the authorizing legislation regarding the KNA settlement, DOI will also be creating an over 30,000-acre Special Management Area surrounding Lake Todatonten, a world class staging area for migratory birds.
  - On May 19, Secretary Babbitt will sign an agreement to purchase from English Bay Corporation over 30,000 acres of premier ocean front land for inclusion into the Kenai Fjords National Park. The money for this acquisition is being provided from the Exxon Valdez Oil Spill settlements. There will also be over 2,000 acres added to the AL, Maritime National Wildlife Refuge.

- **American Airlines:** Throughout the month of May, American Airlines will be offering frequent flyer miles to contributors to the National Park Foundation through its magazine, in-flight videos and in mailings to American Airlines frequent flyers. On April 24, American Airlines donated $1 million to the National Park Foundation for repair and maintenance of trails in national parks.

- **Land Transfer Bill:** Senator Murkowski has introduced a bill which would give the University of AK up to 500,000 additional acres of federal land in AK. Under the terms of the bill, the University could select lands from the National Petroleum Reserve-AK, as well as from certain portions of the Tongass National Forest.

- **Secretary's Schedule:** Secretary Babbitt will participate in the following events:
  - On May 12, the 125th Anniversary of the 1872 Mining Law, Secretary Babbitt, joined by environmentalists and taxpayer defense groups will participate in a press conference calling for reform in the law which has forced taxpayers to give away billions of dollars in precious minerals mined on lands sold for $5 an acre.
  - On May 15, the Secretary will travel to San Diego, CA, and join the Mayor and Governor Wilson in signing the San Diego Multi-Species Conservation Plan.
  - On May 16, Secretary Babbitt, highlighting prescribed burns as a means to reduce wildfires on federal property, will tour one such burn taking place in the Boise National Forest in ID. The Secretary will also meet with Governor Batt.

- **Media Inquiries:**
  - *NBC's Today Show* will be focusing on National Parks in a week-long series broadcast from Yosemite National Park.
  - The *Los Angeles Times* is working on a story about a hazardous materials issue related to the MolyCorp rare earth mine in the eastern Mojave Desert. Water from the mining operation travels through a 15-mile long pipeline that crosses public lands. During cleaning of the pipeline, several ruptures have occurred, and water containing waste has spilled. The BLM is not satisfied that MolyCorp's proposed cleanup for the spills is adequate for the waste involved.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Disaster Assistance:** On April 25, the Commodity Credit Corporation (CCC) offered for sale 10 million bushels of grain. The proceeds will be used to fund continuation of the Disaster Reserve Assistance Program for livestock producers in flood-ravaged areas.
  - In MN, over 1,000 people have received over $100,000 in emergency food stamp benefits. Benefits will continue through May 9.
  - In ND, the Disaster Food Stamp Program ended by May 6. Nearly 7,000 people received disaster food stamp assistance totaling more than $610,000. An estimated 160,000 cattle died in ND. Farmers have made planting progress, although they are behind five-year averages.
  - In SD, small grain planting is well behind schedule. An estimated 108,000 cattle died in the state.

- **Civil Rights Update:** USDA has received extensive media attention from *BET*'s *Lead Story*, *C-Span2*, Sarah McClendon, and *Government Executive* magazine, as it begins drafting civil rights implementation project plans. To reach out to minorities, USDA will co-sponsor a series of town hall meetings in May and June aimed at reaching Hmong farmers. On May 14, USDA Farm Service Agency (FSA) employees in WA will participate in the Agriculture Council Outreach seminar hosted by the Colville Tribe in Nespelem. MO's only minority owned bank, Gateway National Bank of St. Louis, has made its first FSA guaranteed loan, allowing two minority farmers to purchase a farm that their father formerly rented. The loan is also a milestone for Gateway National, an urban-oriented bank serving the St. Louis region, and is the first loan from a minority owned bank to limited resource minority farmers.

- **Potato Industry:** The ID, ME, MI, and MN Congressional delegations have called upon USDA to assist potato producers in their states. USDA is in the process of reviewing its options, including the implementation of a program targeted at soup kitchens and livestock feed. On May 8, Secretary Glickman will meet with Representative Crapo and potato industry representatives.

- **MO Lead Prospecting Permit:** The environmental assessment of effects of exploratory drilling for lead on the Mark Twain National Forest in MO will be distributed by the end of May. It will include a recommendation that the Doe Run Company be allowed to drill up to 200 exploratory holes distributed over almost 8,000 acres, under stipulations designed to protect surface and subsurface resources. The proposed drilling on the Doniphan/Eleven Point Ranger District has raised intense public interest around the country. Mines in the forest currently produce 80 percent of the U.S. lead supply. Several environmental groups have said they will appeal any decision that allows drilling.

- **Timber Sales:** On April 26-27, about 55 people camped in the Eagle Timber Sale area on the Mt. Hood National Forest, OR, to protest four timber sales in the Eagle Creek drainage, a tributary to the Clackamas River. The controversial sales were sold in December 1996 under provisions of the Rescissions Act Salvage Rider, drawing environmental protests and news media interest. No unlawful activities were reported.

- **National Trails Day:** On June 7, the Forest Service and other public land management agencies will join more than 3,000 trail organizations to celebrate National Trails Day. At least 45 projects have been scheduled in national forests from coast to coast, from trail repairs to development of a barrier-free trout fishing trail. A day of interactive exhibits, outdoor product demonstrations, musical entertainment, and children's activities has been planned in Washington, DC.

- **Great Outdoors Week:** On June 9-13, the Forest Service will participate in Great Outdoors Week '97 in Washington, DC, coordinated by the American Recreation Coalition in cooperation with leading recreation interests.

- **Columbia River Gorge:** On May 24, the Forest Service will take part in the dedication of the Columbia Gorge Discovery Center, a $20 million partnership with USDA, Wasco County, OR, Wasco County Museum Trust, Columbia River Gorge Commission, and the Citizens for the Columbia River Gorge National Scenic Area. This museum will provide visitors to the Columbia River Gorge National Scenic Area with educational and interpretive activities and give an economic boost to the communities of Dalles and Wasco County.

- **Team Nutrition Days:** On May 5-9, USDA celebrates Team Nutrition Days. Team Nutrition schools across the country will be demonstrating the link between agriculture and health by engaging children in interactive activities that help them learn where food comes from and how it contributes to their good health. An event at Washington, DC's John Burroughs Elementary School will include a "kids gleaning for kids" activity.

- **CA Trade Developments:** Recent exchanges between USDA and Chilean officials appear to have cleared the way for CA lemons, grapefruit, oranges, table grapes, and kiwifruit to enter Chile. They have been unable to agree on quarantine measures for CA apples and pears.

- **Decommissioned Army Facilities for Agricultural Use:** On April 21, USDA sponsored a meeting in Tuskegee, AL, with representatives from the Tuskegee University College of Agricultural, Environmental, and Natural Sciences and the U.S. Army Ammunition Facility in Picayune, MS, to discuss using the Army facility to process a high nutrition beverage made from sweet potatoes and developed at the university. The new beverage production would expand the market for sweet potatoes with Picayune as the site for processing operations.

- **Agricultural Markets in Review:** For the week ending May 2, wheat prices declined on beneficial rains. Rapid planting progress and weak wheat prices also led corn prices down. Rice prices fell on weak demand and good planting progress in TX. Soybean prices rose on ideas that more demand rationing must occur to match the year's tight supply. Hog prices continued to rise on anticipated higher exports, although domestic demand for pork is beginning to slacken. Broiler prices fell slightly.

- **Food Safety Initiative:** On May 12, the Vice President and HHS Secretary Shalala will attend a Food Safety Initiative announcement.

THE PRESIDENT HAS SEEN
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DEPARTMENT OF ENERGY

- **Brookhaven National Laboratory:** Secretary Peña visited the Brookhaven National Laboratory (BNL) last week and met with community leaders to announce the termination of DOE's contract with Associated Universities, Inc., the operating contractor at BNL, based on a critical DOE safety report. DOE will complete an action plan in 30 days that will propose solutions to improve BNL's relationship with the community. DOE has appointed a management team to ensure a smooth transition to a new contractor. Secretary Peña announced that EPA would conduct a full facility inspection to ensure that BNL is in compliance with all regulations related to air, water and waste management.

- **Stockpile Stewardship and Management Lawsuit:** On May 2, the Natural Resources Defense Council and other organizations filed suit in Federal District Court alleging that DOE has violated a 1990 litigation settlement agreement to evaluate the environmental impacts of its Stockpile Stewardship and Management program. They also claim that DOE failed to conduct a legally adequate environmental review of its plan to clean up the U.S. nuclear weapons complex and manage its radioactive wastes. The group is requesting a preliminary injunction against DOE's constructing the National Ignition Facility at the Lawrence Livermore National Laboratory, upgrading the plutonium production buildings at the Los Alamos National Laboratory, and conducting subcritical nuclear tests in NV.

- **Nuclear Weapons Accident Exercise:** On May 19, DOE will lead DIGIT PACE, a combined Secretary of Energy/Secretary of Defense-directed, national level field training exercise. The overall objective of the exercise is to demonstrate a response that to a ground transportation accident involving a nuclear weapon in DOE custody in NM. 1500 people from Federal, State, and local agencies will be participating in this exercise.

- **Down Syndrome Gene:** A major genetic factor contributing to mental retardation in Down Syndrome has been identified by researchers at DOE's Lawrence Berkeley National Laboratory (LBNL) who worked in collaboration with the University of California and USDA. Affecting an estimated one million Americans, Down Syndrome is the leading genetic cause of mental retardation and is associated with a shorter-than-average life expectancy, heart and intestinal defects, problems with the immune and endocrine systems, and other tissue and skeletal deformities.

- **New Generation of Lighting:** DOE's Lawrence Berkeley Laboratory has recently developed a new compact florescent light that is as efficient as a halogen light but much safer. Many universities have banned halogen lighting because of the accidents caused by overheating. Stanford University has now placed orders for 500 of the new compact lights for installation in the dorms. It is estimated that $1.5 billion in energy savings could be realized if the 40 million halogen lights currently in use in the U.S. were

replaced by these new lamps. Due to its relative safety, the insurance industry has expressed interest in promoting this type of lighting. A ribbon cutting ceremony and press conference is tentatively planned for June 3 at Stanford University.

DEPARTMENT OF EDUCATION

- **Title I Allocations:** DOEd and DOC, recently issued a decision, in response to a Congressional requirement, to calculate poverty levels (used to determine Title I allocations) by means of an average of the 1990 census and 1994 poverty data. This decision will reduce Title I grants for more than 60 percent of the nation's counties in varying degrees. In general, increased funding will go to schools in CA, the Southwest, and the Northeast, while schools in the Southeast and the Midwest will receive reduced funding. DOEd will begin distributing Title I funds in July.

- **America Goes Back to School:** The 1997 cochairs for America Goes Back to School will be Tipper Gore, Actor Michael Keaton, National PTA President Lois Jean White, and former NJ governor Thomas H. Kean.

- **Ebonics:** The Oakland schools task force that recommended the use of "Ebonics" to raise achievement levels of African-American students has prepared a new report on improving achievement levels that no longer contains that recommendation.

- **Secretary's Schedule:**
  - On May 12, Secretary Riley will participate in an event at a school in Boston, MA, with Congressman Markey, and is scheduled to address the Boston Globe Symposium on Literacy.
  - On May 15, Secretary Riley will address the Blue Ribbon Task Force on Community Education and the Business Coalition Partnership Conference in Boston, MA.
  - On May 16, Secretary Riley will address the Lawyers for Civil Justice in DC.
  - On May 20, Secretary Riley will address the Columbia Teachers College in NY.

- **Read*Write*Now:** Events across the country starting this month to launch DOEd's annual summer reading program. Events are scheduled for DC, May 14; Boston, May 15; New York City, May 19; and Seattle, June 2.

- **Blue Ribbon Schools:** On May 20, DOEd plans to notify Members of Congress of designations of Blue Ribbon Schools.

ENVIRONMENTAL PROTECTION AGENCY

- **Environment Leaders' Summit:** On May 5, Administrator Browner hosted environment ministers from the G-7 countries, and Russia at the Environment Leaders' Summit in Miami, FL. The Environment Leaders agreed to a U.S.-proposed Declaration on Children's Environmental Health and to take specific actions to protect children from environmental health hazards.

- **Waste Incinerators:** On May 8, EPA released to the public the final results of the EPA assessment of the public health and environmental risks of the Waste Technologies Industries (WTI) incinerator in East Liverpool, OH. EPA's risk assessment does not show significant or unusual risks associated with operation of the incinerator. The WTI incinerator -- the most controversial environmental issue in the state -- is in limited commercial operation pending the results of the risk assessment. OH will use the results of the risk assessment and EPA will continue to provide the State with technical assistance on this matter.

- **Secretary's Schedule:** On May 12, Administrator Browner will travel to Philadelphia, PA, to address the Philadelphia Chamber of Commerce.

GENERAL SERVICES ADMINISTRATION

- **FTS 2001:** On May 2, GSA's Federal Telecommunications Service issued a RFP for FTS 2001, the follow-on contract for federal long-distance and local telecommunications services. The contract, with an estimated value of $5-8 billion over 10 years, has been of interest to key Congressional committees, industry and press.

- **Barram Confirmation:** In two weeks, Administrator Barram's confirmation will be reported out of committee.

- **Administrator's Schedule:** On May 21, Administrator Barram travels to Seattle, WA, to sign an MOU with tribal groups and attend a computers-to-school event.

- **Historic Preservation Week:** On May 11-17, GSA will hold its Public Heritage Program and celebration of National Historic Preservation Week, during which 18 historic federal buildings will offer the public educational exhibits and events.

UNITED STATES INFORMATION AGENCY

- **Denver Summit Internet Site:** USIA debuted its new site on the World Wide Web providing comprehensive information for the June 20-22 Denver Summit of the Eight. The site includes an application for media accreditation, credentialing information and hotel reservation information, plus Denver city information, as well as official documents

from Economic Summits going back to 1975. The web site currently has profiles and pictures of the heads of state and governments of the participating countries and will provide profiles on full delegations once they are officially announced. Beginning June 20, all documents from the Denver Summit will be posted immediately on the site. The site can be accessed at http://204.148.53.2/denver.htm or via the USIA international home page: http://www.usia.gov/usis.htm.

- **New UK Cabinet:** British elections on May 1 brought Tony Blair and "New Labour" to power in a landslide after 18 years of Conservative government. During the long period of Labour opposition, USIS London successfully cultivated potential leaders, with the result that over half (12 of 23) of the members of the new Cabinet have participated in USIA's International Visitor, Voluntary Visitor, NATO Tour or American Council of Youth Political Leaders (ACYPL) programs.

cc:

The Vice President
Erskine Bowles
Franklin Raines
John Podesta
Sylvia Mathews
Ron Klain
Rahm Emanuel
Maggie Williams
Michael McCurry
Doug Sosnik
Craig Smith
Marcia Hale
Don Baer
Maria Echaveste
John Hilley
Janis Kearney
Ann Lewis
Bruce Reed
Gene Sperling
Kathleen McGinty
John H. Gibbons

DEPARTMENT OF STATE

- **Russia:** During Secretary Albright's May 1-2 trip to Moscow she made progress on the NATO-Russia document, although much remains to be done. FM Primakov initially pushed for maximalist positions, but Yeltsin's clear interest in signing on May 27 produced the first signs of Russian flexibility on military issues. The Secretary held the line against a NATO-group limit on CFE equipment that would have prevented further NATO enlargement. That Russian idea is now off the table. She and Primakov agreed on language in the NATO-Russian document describing CFE adaptation to address Russian concerns about enlargement's military implications.

- **Korea:** On May 5, the North Koreans requested a postponement of U.S.-DPRK missile talks, originally scheduled for May 12-13, for "about a month" and asked that we suggest alternative dates, we have suggested June 3-5 or June 11-13. The reason for the postponement request is unclear although there may be some linkage to an agreement on arrangement for Four Party talks.

- **Secretary's Schedule:** On May 13, Secretary Albright will visit the Denver Host Committee in Denver, CO.

DEPARTMENT OF DEFENSE

- **Ukrainian MOD Visit:** Last weeks visit of MOD Kuzuk was extremely successful. MOD Kuzmuk and Secretary Cohen signed two new documents: one on medical cooperation and the other increasing funds Ukraine receives under the Cooperative Threat Reduction program.

- **CA Base Closure:** Major developers are showing strong interest in the 29 CA bases scheduled for closing. CA Defense Conversion Marketing Association will soon launch a major media marketing effort under the theme, "The Great CA Land Grab."

- **China:** On May 11-19, General Shalikashvili will travel to China, Pacific Command Headquarters in Hawaii and Claremont, CA.

- **Secretary's Schedule:** On May 13-14, Secretary Cohen will meet with Russian Defense Minister Rodionov.

UNITED NATIONS

- **Zaire:** Ambassador Richardson extended his travel in Africa on a Presidential Mission to promote a peaceful, negotiated transition in Zaire and to press rebel leader Kabila to respect the human rights of refugees caught in the conflict. Following the Ambassador's intercession with President Mobutu and rebel leader Kabila, the two met for face to face talks, with President Mandela and Special Representative Sahnoun present, but did not reach agreement on transitional arrangements. During the trip Ambassador Richardson also met with a number of African heads of state to urge them to support a peaceful democratic process there. On May 8, the Ambassador will brief French officials in Paris, before returning to the U.S.

- **Press Activities:** On May 12, Ambassador Richardson will be profiled in *New York Magazine*.

'97 MAY 9 PM5:24

THE PRESIDENT HAS SEEN
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May 9, 1997

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT - May 3 to May 9

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

BUDGET:

- OPL contacted each of our constituent groups this week. We conducted several briefings, round tables and telephone calls beginning Friday to build support and get your vision for a balanced budget plan out to our folks. The reaction to the deal has for the most part been positive. We are working to address any concerns our groups have and are providing them with information that they can disseminate to their members. We will continue to work with them to build support for the budget deal in the coming weeks.

copied Echaveste COS

e provided a full report of OPL's activities to the NEC for a memorandum they were eparing for you on Wednesday.

ION:

e are working with the Education Department to set up a round table meeting with women ders on your Education Agenda. This week we began to identify possible dates and endees, we hope to hold this event in

- We held an internal OPL meeting to develop a strategy to educate grassroots communities of your initiatives in education. Our focus is to breakout the issues and help clarify them for each of our constituent groups.

- OPL is working with DPC and the Council of Greater City Schools to identify a dozen city school districts to endorse your call for standards. Once the cities are identified, we will work to identify and mobilize community coalitions (business, labor, service organizations) to assist students and parents to prepare for the 4th grade reading test and 8th grade math test.

- OPL staff met with the Order Sons of Italy in America to discuss ways of forging a formal partnership on the America Reads Challenge and utilizing their 800 local chapters to broaden the network of mentors and reading tutors.

HEALTH INSURANCE FOR CHILDREN

- Our Women's Office conducted outreach to constituency leaders to identify their concerns and mobilize support for your Health Care for Children initiative. Most were pleased to see funding support included in the budget agreement, but expressed a serious concern about the need to ensure support for pregnant moms, who are often uninsured workers. The leaders commended your efforts to include health insurance for unemployed workers.

WELFARE TO WORK

- This week OPL met with executives from Dayton - Hudson, the parent company for Target, Mervyn, Dayton, Hudson and Marshall Field department stores. Dayton-Hudson is one of the countries top 25 employers with over 225,000 employees. They conveyed to us that they wish to participate in the welfare to work effort. They believe that they can move significant numbers of people from welfare to work with the right training. We are setting up a meeting for them with Eli Segal and will report back on further developments.

- OPL is in the final stages of hiring a welfare recipients for a position in our office to demonstrate your commitment. She is expected to start on Monday.

CONSTITUENT AND OTHER ISSUES:

AFFIRMATIVE ACTION

The release of the Administration's proposal to reform affirmative action procurement was reported in the New York Times resulting in substantial media interest. The proposed regulations were published in the Federal Register today. Thus far, White House and Justice officials discussed the proposal (on-background) with Reuters, Newsday, Business Week, CNBC, U.S. News, Chronicle of Higher Education, L.A. Times, CNN, Business Week, Wall Street Journal, Bloomberg Business News, Purchasing News, AP, Knight Ryder, Boston Globe, Washington Post, Headline News, Black Enterprise, and Set-Aside Alert.

We have distributed talking points and the stories have generally been good and factually correct. Critics of affirmative action expressed their dislike for the proposal, while minority and civil right groups indicated their support for our approach.

AFRICAN AMERICAN OUTREACH

- We continue to poll African American leaders on the Sentencing Commissions recommendations and have found that many of them are not satisfied with the disparity between powder and crack cocaine. The leaders are not being critical of you at this point, but are waiting to learn your stance on the issue.

- OPL continues to plan and coordinate the Tuskegee Event later this month.

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- We faxed budget talking points to over 75 African American national associations in an effort to gain their support for the budget agreement.

- There is a growing concern in the black community that there are no African Americans in White House Policy offices. This matter came up during a meeting that the Chief of Staff had with the Congressional Black Caucus. Jesse Jackson has also mentioned this issue.

ASIAN AMERICAN OUTREACH

- We distributed budget information to the Asian Pacific American community leadership during our annual Heritage Month Briefing on May 9.

- OPL met with Counsel's office and members of the National Asian Pacific American Bar Association to discuss the status of judicial appointments.

- OPL worked with Media Affairs on questions regarding the Administration's lack of official participation at the Congressional Asian Pacific American Caucus Institute Dinner (CAPACI). We developed talking points with Media Affairs and worked with Cabinet Affairs to designate a surrogate speaker. Extensive travel by the Cabinet made this a difficult task and once a surrogate was designated, CAPACI refused the speaker (Bob Nash). This week the Washington Post, LA Times and CNN ran stories about the lack of Administration participation.

Y & LESBIAN OUTREACH

We are working closely with gay and lesbian groups on appointments. Bob Nash is scheduled to have his second meeting with gay leaders on the subject on Monday. Leaders in the gay community feel strongly that you need to name an openly gay person to a Senate confirmed position early in the second term. Attention is primarily focused on those seeking PAS appointments: Virginia Apuzzo (Labor); Fred Hochberg (Education, FTC); James Hormel (State); Gail Shibley (DOT).

OPL met with representatives of gay veterans groups, who wanted to call attention to so-called recoupment cases, in which the government seeks to "recover" the cost of training service members discharged because they are gay. They also seek better oversight of the "don't ask, don't tell policy."

- Last weeks *Ellen* episode was the most watched television show during sweeps week.

- This week New Hampshire became the 10th state to pass a gay civil rights bill. It was passed by the republican-controlled state legislature and Gov. Shaheen has indicated she will sign it. Meanwhile, the republican-controlled Oregon House, led by an openly-gay republican member, passed a bill outlawing job-related discrimination against gays.

JEWISH OUTREACH:

- OPL coordinated a briefing for Ambassador Stuart E. Eizenstat with American Jewish organizational and community leaders regarding his report on the U.S. and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II. The briefing took place immediately prior to Ambassador Eizenstat's press conference at the State Department releasing the report.

- We conducted a briefing for visiting members of the US Holocaust Memorial Museum Midwest Region with Richard LeBaron, NSC, regarding the Middle East Peace Process; and Judy Lieberson, Department of Commerce, regarding Ambassador Eizenstat's report.

- We also delivered a Presidential greeting at the Yom Hashoah/Holocaust Remembrance Day Observance at Temple Emanu-el in New York, and sent your Yom Hashoah Day message to community and organizational leaders, survivor organizations and Holocaust survivors.

NATO ENLARGEMENT

- OPL arranged a meeting where a representative of the Department of State spoke to the Executive Committee of the American Legion in Indianapolis. As a result of this visit we have received a pledge that the legion will submit a strong resolution to their convention endorsing the specific countries selected to join NATO. In addition the Legion has agreed to publish articles in support of NATO Enlargement. We will continue the "house calls " on military/veterans organizations in our effort to promote Enlargement.

NEXTEA

- This week OPL sponsored two briefings regarding the Administration's NEXTEA bill. The Vice-President and other senior Administration officials spoke to the first group which was mostly comprised of environmental groups and city and county officials. The second briefing was for Building and Construction Trades and Transportation unions. Peggy Taylor from the AFL-CIO as well as senior officials from the White House, and Departments of Transportation and Labor participated in the briefing.

RACE AND UNITY

- OPL attended the National Ethnic Coalition of Organization's Ellis Island Medal of Honor Ceremony and presented your video. The video was extremely well received, interrupted by applause several times as you stated your commitment to the fair treatment of legal immigrants, emphasized the value of immigration and diversity in our nation's future, and highlighted the importance of our work as citizens to heal our divisions.

VETERANS

- OPL provided budget materials to all Veterans Service Organizations, military Coalition and

military Alliance Associations. They are generally happy with the agreement, but are remaining silent at this point until they see the VA numbers for the out years. They have begun a coordinated effort to target authorizing and appropriating committees to have approximately $1 Billion dollars added to the VA FY 98 Budget. Ads have been run in the Washington Post/Times and will continue through next week.

WOMEN'S OUTREACH

- On Friday, May 2, the Women's Office hosted a reception with the First Lady for about 120 National Breast Cancer Coalition (NBCC) advocates. The reception marked the kick-off of the NBCC lobbying weekend. The advocates were pleased your support of the drive-through mastectomy legislation and commitment to women's health in the FY 1998 budget. The NBCC would like you to speak in favor of several other women's health bills, including the Eshoo/Kennedy breast reconstruction bill.

- OPL continues to work on plans to hold a Vice Presidential event to announce the Domestic Violence Hotline Stamp booklets. The booklet will have an 800 number that women can call if they are victims of domestic violence.

- We responded to calls about two new arson attacks reported this week in Greensboro, North Carolina and Yakima, Washington. Advocates are requesting a response similar to the one you made following the attacks on the family planning clinics in Atlanta earlier this year.

- We are preparing for a day of briefings on May 21 for 30 editors in chief of the top women's magazines. The First Lady will host the day and the briefings will be given by women cabinet members. The cabinet members will highlight initiatives that are having a positive effect on the daily lives of women.

- This week we followed up on National Pay Inequity Awareness Day by exploring the potential for holding a Fair Pay/Pension Equity Round Table hosted by the Vice President. Advocates would like you to support enhanced enforcement of the Equal Pay Act, developing Voluntary Employer Guidelines on Fair Pay, and sponsoring a National Summit on Fair Pay.

UPCOMING ISSUES:

- We reached out to several business and religious organizations to discuss our position on China MFN. On Thursday, we briefed a group of state captains who are active in their communities educating local leaders on the connection between increased trade with China and the creation of American jobs. We are also in the process of identifying members of the evangelical community who support our continued engagement with China. We have received very clear signals that the positions staked out on the extreme right do not represent the religious community as a whole.

cc: First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Sylvia Mathews
Doug Sosnik
Craig Smith
Rahm Emanuel
Kitty Higgins
John Hilley
Marsha Hale
Bruce Reed
Gene Sperling
Mike McCurry
Susan Liss

May 5, 1997

'97 MAY 6 PM1:32

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig T. Smith

THE PRESIDENT HAS SEEN
5/13/97

SUBJECT: Weekly Political Update

ARIZONA

The Rocky Mountain poll conducted 4/12-21 by Behavior Research Center, surveyed 551 registered voters shows Symington's support among the GOP waning. Eddie Basha, the 1994 Democratic gubernatorial nominee, continues to lead former Phoenix Mayor Paul Johnson (D).

GOP Primary Matchups

	8-Way	6-Way
Woods	26%	--
Symington	25%	--
Hull	4%	12%
Barrett	4%	11%
Patterson	3%	8%
Howl	3%	1%
Keegan	1%	7%
Rawles	--	3%
Undecided	34%	58%

Democratic Primary Matchup

Basha	49%
Johnson	22%
Undecided	29%

Symington Job Approval

Good	31%
Fair	26%
Poor	38%

1998 Democratic Gubernatorial candidate Paul Johnson (D) and Attorney General Grant Woods (R) have announced their statewide petition drive to change the state's existing closed primary system which they feel, excludes thousands of independent voters. The initiative requires 170,000 signatures by May 1998. If passed, it would allow registered voters to vote on all candidates. Johnson who just announced his candidacy has utilized this initiative drive as a media tool in hopes to increase his name recognition.

THE PRESIDENT HAS SEEN
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CALIFORNIA

US District Judge Claudia Wilken declared California's seven-year-old term limits law unconstitutional on April 23 "setting off a wild scramble by politicians and lawyers." The decision is not likely to affect the statewide '98 election because Wilken put the ruling on hold until the US Court of Appeals hears the case--which could be months from now.

Brooks Firestone (R), of the Firestone tire fortune, is serving his second term in the state assembly and considering a run for Lieutenant Governor in '98. President Gerald Ford, a close friend, has already agreed to be an honorary chair of his campaign. Two other likely GOP candidates are conservative state Senators Tim Leslie and Richard Mountjoy.

The California State Legislature had their annual White House briefing this week. This bipartisan group received briefings from Vice President Al Gore, Secretary Riley, General McCaffrey, and other Administration officials from the White House, HHS, FEMA, and DOJ.

The California Democratic Party will return a $40,000 campaign contribution it received from a company, American Eco, incorporated in Canada but headed by former Texas Governor Mark White (D).

COLORADO

A Clinton Administration HHS initiative to pilot a demonstration project in Denver on managed care and Medicaid has run into stiff opposition from HMO health care providers. Republican members of the Colorado delegation (McInnis, Allard and Campbell) oppose this pilot because it has some senior citizens upset. Representative Diana DeGette (D) is trying to stay neutral, as is Governor Romer (D). There is no word yet on Mayor Webb's (D) position. This could shape up to be a political fight for the Administration in Denver. The *Denver Post* recently editorialized in favor of letting the pilot go forward.

Two Colorado Members of Congress who are potential rivals for an US Senate seat in 1998 said Thursday they separately secured $1.95 million in federal funding to provide security for the G-8 Summit. Representative David Skaggs (D) and Senator Ben Nighthorse Campbell (R) later said they were unaware of the other's actions and didn't know whether they could cancel one another out.

CONNECTICUT

Joe Ganim (D), the Mayor of Bridgeport, intends to run for governor against John Rowland (R). He joins Bill Curry and John Nussbaum in the Democratic primary field. When Curry ran for governor in 1994, Ganim ran as Lt. Governor on the ticket. Although the Mayor is credited with bringing the city out of bankruptcy, he would be a dark horse candidate against Rowland.

FLORIDA

The Florida Senate passed a bill sponsored by State Senator Charlie Crist (R)--a likely GOP '98 Senate candidate--that would force prisoners to work on highways chained together in groups of five rather than on prison grounds. Department of Corrections officials strongly objected to having violent offenders participate in the program due to the unnecessary risk to prison guards

and the general public.

Anthony Kennedy Shriver (D) is talking about a run for Miami Beach mayor. Shriver has said, "I'm looking at it closely. I love the beach. And I grew up in a family that viewed politics as a tremendously noble calling."

GEORGIA

Attorney General Michael Bowers (R) handed in his resignation to Governor Zell Miller (D), signaling the Attorney General's intent to make a 1998 run for Governor. However, Bowers, who switched to the GOP just three years ago, played coy with reporters after making his resignation known: "This is the time to leave. Any future plans I have I will announce later." While Miller would not discuss potential Bowers' replacements, one of the names circulated was former Rep. Buddy Darden (D). As for Bowers, he has already started to assemble a staff, but is expected to delay a formal announcement until June. Guy Millner (R), '96 GOP Senate nominee, is taking steps to run against Bowers, despite pressure from party leaders who fear a bloody primary fight. Likely Democratic candidates include Lt. Governor Pierre Howard and Labor Commissioner David Poythress.

HAWAII

The Hawaii State Legislature adjourned today agreeing to give voters the opportunity to approve a constitutional amendment limiting marriage to heterosexual couples, providing that no civil rights on the basis of sex are violated. It will appear on the ballot next November 1998. A companion measure confers 50 broad categories of state marital rights and benefits on same sex couples who register as "reciprocal beneficiaries." The religious right is expected to put money and manpower into the 1998 elections to ensure adoption of the constitutional amendment.

Governor Cayetano (D) held his first fundraiser for his reelection campaign, raising more than $900,000. Opinions are still divided over whether Mayor Jeremy Harris will oppose him in the primary.

IDAHO

Businessman Tony Paquin (R) is 90% sure that he will challenge Rep. Helen Chenoweth (R-1) in a primary. It is acknowledged that Chenoweth has a hard-core following of staunch conservatives who make up about 30% of the people that vote in the congressional district.

ILLINOIS

Senator Charles Grassley (R-IA) asked the Department of Justice to determine whether William Brandt Jr., who hosted a Winetka, IL fundraiser attended by President Clinton, "made false statements" to a Judiciary subcommittee investigating campaign finance.

IOWA

As you know, Sen. Charles Grassley (R) announced on Saturday that he will not enter the race for governor. His decision clears the way for a run by former Rep. Jim Lightfoot (R), who formed a campaign committee two days earlier, along with Secretary of State Paul Pate (R). Businessman Dave Oman (R) is already running. Though it hasn't been made public yet,

Senator Tom Harkin has decided not to run for governor.

KANSAS

Governor Bill Graves (R) is currently facing a split Republican Party between the moderates and conservatives. If he continues to oppose the conservative legislative agenda, the right wing may not stop at complaining. Conservatives are searching for a candidate of their own to challenge the Governor in the 1998 Republican primary. Potential candidates are Republican State chair David Miller (R), Rep. Phil Kline (R) of Shawnee, House Speaker Tim Shallenburger (R) and Congressman Jim Ryun (R).

MARYLAND

Aided by Steve Forbes (R), '94 GOP nominee Ellen Sauerbrey formally announced April 30 her intention to run for Governor again in '98. At the gathering, which doubled as a fundraiser, Sauerbrey was flanked by nearly 600 supporters who paid $200 each to attend Some GOPers have suggested that Sauerbrey can't duplicate her strong 1994 showing. They believe many voters remain troubled by Sauerbrey's handling of the election fraud charges, and are looking at Howard Co. Executive Charles Ecker (R) as a moderate alternative. Forbes is not the only high profile GOPer in Sauerbrey's camp. Dan Quayle (R) and Jack Kemp (R) are also scheduled to stump on her behalf. Former Reagan aide Lyn Nofziger is an adviser to her campaign.

Governor Parris Glendening (D) and Rep. Ben Cardin (D-03) met last week to discuss Cardin's possible primary challenge. Sources say Glendening appealed to Cardin to forgo a run. Some Democrats are worried Glendening is too politically weak to lead the party in '98.

MASSACHUSETTS

Rep. Joe Kennedy's numbers have gone down in recent polls. His drop in the polls can be attributed to two family issues which were recently brought to the public's attention. First, Rep. Kennedy's former wife is taking on the church for granting an annulment to their marriage. Secondly, the Boston Globe recently reported Michael Kennedy, Rep. Kennedy's brother, allegedly had an affair with the underage daughter of family friends who was his babysitter for a number of years. A poll conducted by the Boston Globe/WBZ-TV of 400 registered voters found Kennedy's numbers down in a General election match-up. The results are as follows:

DEM PRIMARY MATCHUP		GOP PRIMARY MATCHUP	
Kennedy	41%	Cellucci	46%
Harshbarger	36%	Malone	25%

GENERAL ELECTION MATCHUPS			
Cellucci	42%	Malone	40%
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Cellucci	36%	Malone	32%

	FAV/UNFAV
Weld	74%/16%
Malone	46%/17%
Kennedy	43%/39%
Harshbarger	43%/18%
Cellucci	42%/18%

Additional polling by the Boston Herald shows that 80% of 225 registered voters feel that Michael Kennedy's baby sitter scandal will have no effect on Joe Kennedy's gubernatorial run.

MINNESOTA

The Minnesota Senate on Thursday approved a bill that could give the state an early March primary. In 1992, Minnesota had both caucuses and a primary, but the primary vote was non-binding; in 1996, it had caucuses, but no primary. The Senate plan would allow the parties to hold caucuses, but would make income tax check-off funding of the parties contingent upon their recognition of the delegates chosen in the primaries. Both parties and their traditional constituencies oppose the measure. Prospects in the state House are unclear. If the law were to pass, it would be seen as a strong statement against a Wellstone presidential candidacy, since Wellstone would likely dominate the caucus system.

The Supreme Court upheld Minnesota's anti-fusion law against a challenge by the Twin Cities Areas New Party.

NEBRASKA

Senator Bob Kerrey (D) announced April 27 that he is removing himself from the list of potential candidates for president in 2000. Since then, he as backed off this statement. Senator Kerrey was quoted as saying, "I'm happy in the Senate today, as happy as any individual can be in Congress at the moment, and I really don't have any desire to be President."

NEW MEXICO

The fight for New Mexico's third congressional seat continues as Bill Redmond (R) released negative tv ads on Eric Serna (D). The ads claim that the contributions Serna received from labor are "buying the seat." The Democratic Party has responded by continuing to press allegations that Redmond is not complying with FEC requirements by failing to file a financial disclosure form.

A tracking poll taken Wednesday, April 30, 1997, of 413 likely voters found Serna with an eleven-point lead.

Serna	45%
Redmond	34%
Miller	7%
Undecided	14%

In a DCCC tracking poll completed on May 2, Serna and Redmond were running neck-and-neck. The results were Serna 41%, Redmond 41%, Miller 9%, and undecided 8%.

In a two-way race, the poll found the following:

	Serna/Redmond
Democrats	63%/13%
Independents	32 / 23
Republicans	80/ 9

The Serna Campaign will run another tracking poll over the weekend. Rep. Patrick Kennedy and Commissioner Serna held a joint press conference on crime on 4/24, announcing the Police Officers PAC endorsement of Mr. Serna.

Rex Robberson, State Personnel Director, recently announced that State employees are prohibited from being an officer in a political organization. Robberson says that Attorney General Tom Udall's opinion "supports his interpretation." However, unions are claiming that this is a violation of the non-interference clause of their contracts. It is expected that a grievance will be filed with the Personnel Board later this week. "Union leaders say language in the labor contract states that employees should not be prohibited from fully and actively participating in the political process."

Ray Sena, a businessman from Santa Fe, was recently elected Democratic State Party Chair, defeating former Chair Earl Potter by 16 votes.

NEW YORK

Rent control laws have become an increasingly hot issue as the NY Democratic Party started to run advertisements urging voters to hold Governor Pataki (R) and Sen. Al D'Amato responsible if the Republican controlled state legislature allows rent control to expire in June. Insiders believe Pataki and D'Amato will emerge at the last moment to help forge a compromise. Sen. D'Amato showed signs of compromise this Monday when he stated "forced deregulation by any particular date was unacceptable to him."

On April 30th, City Council Speaker Peter Valone (D) proposed a ban prohibiting cigarette advertising on billboards, store windows and other sites within 1,000 feet of schools. The proposal drew the support of the Mayor's office.

Mayor Giuliani (R) announced he is considering asking Assemblyman Jules Polonetsky (D), of Brooklyn, to join the GOP ticket and run for Public Advocate. Mayor Guiliani lost Brooklyn in his 1993 election.

OHIO

The Cleveland Plain Dealer reports that Census Bureau predictions indicate a probable loss of an Ohio congressional seat -- most likely in the heavily Democratic northeastern part of the state.

OKLAHOMA

The Sooner Survey conducted 1/19-22 by Cole Hargrave Snodgrass and Associates of 500 registered voters, showed Governor Frank Keating (R) with a substantial lead over his Democratic opponents. His top three democratic challengers are Tulsa Mayor Susan Savage (D), Attorney General Drew Edmonson (D) and ex-Governor David Walters (D). The general election matchups are as follows:

Keating	55%	Keating	55%	Keating	62%
Savage	31%	Edmonson	33%	Walters	25%

Despite disapproval from many GOPers, State Republican Chair Quineta Wylie was reelected to another two-year term.

PENNSYLVANIA

A new poll conducted by Mason-Dixon of 485 registered Democrats found that Mayor Tom Murphy (D) has only a small lead over Councilman Bob O'Connor (D). The Democratic Mayoral Primary in Pittsburgh will be held May 20.

General Election Matchup

Murphy	41%
O'Connor	39%

However, another poll conducted by Tribune Review and WPXI-TV shows O'Connor behind 57% to 27%. The Murphy campaign believes the Mason-Dixon poll is inaccurate. They believe the Mayor has a solid lead.

DEM PRIMARY		IS CITY MOVING IN THE RIGHT DIRECTION?	
Murphy	57%	Yes	55%
O'Connor	27%	No	29%
Roston	1%	Not Sure	15%

TENNESSEE

Governor Don Sundquist (R) negotiated a law with the Legislature that for the first time put limitations on contributions in state races; $5000 for individuals and $15,000 for PAC's. The limits did not go into effect until 1/96. Now, any Democrat who runs against Sundquist must raise $5-10 million, with the new lower limits. Because of Sundquist's strength in fundraising Democratic challengers are scarce. Even people with a wide base of support such as Representative Bob Clement (D), former State House Majority Leader Bill Purcell (D) and Representative John Tanner (D), "have to consider the financial realities". Other potential Democratic candidates are: Nashville Mayor Phil Bredesen, Millionaire/'94 candidate Clayton McWhorter, businessman Olan Mills, and TN Democratic Chair/'96 Senate nominee Houston Gordon.

TEXAS

Arlington mayoral election. Seven candidates will face-off in the nonpartisan Arlington mayoral election on Saturday, May 3, in an effort to replace longtime Mayor Richard Greene. Elzie Odom and Paula Hightower--both Democrats and members of the City Council--are observed as the two front-runners in the race. If Odom wins, he would be the city's first African American mayor. If Hightower wins, she would be the first woman elected to the post.

Houston mayor election. Today, District A Councilwoman Helen Huey (R) officially announces her candidacy for Houston mayor. She kicks-off her campaign at Agnes Moffit Park in the northwest Houston district she represents. Huey is best known for her work as co-chair of the committee that crafted the ordinance on sexually oriented businesses. The council adopted it unanimously in January. She portrays herself as "an outsider" and "a street-fighter." Huey is a former Spring Branch school board trustee, former small business owner and the mother of two grown sons.

Since February, Huey has been developing her theme that she is the city's best hope for continuing Mayor Bob Lanier's legacy. Her campaign slogan is "Houston & Huey: The mayor to keep it going." Huey won a nonpartisan election to the council 1991 by defeating Larry McKaskle, who held the seat more than 20 years. She is term limited in her city council position. The same six-year cap prevents Lanier and two other council members from seeking reelection. Huey favors a limitation of two four-year terms for city officeholders. The mayor, controller and council members currently serve two-year terms.

Others who have announced their candidacy for mayor in Nov. 4 election include former controller George Greanias, businessman Rob Mosbacher and Councilwoman Gracie Saenz.

Abortion clinics and protection of patients. Governor George W. Bush (R) signed into law legislation that strengthens the regulation of facilities where abortions are performed. Governor Bush said it is meant to protect patients. "No matter what your position may be on the subject of abortion, we can all agree that a facility which provides abortions should meet state health and safety standards," Bush said. The measure by Sen. Chris Harris, R-Arlington, and Leticia Van de Putte, D-San Antonio, would authorize penalties against abortion clinics that violate state standards. It also would allow the Texas Department of Health to immediately suspend or revoke a facility's license when health and safety are threatened.

Affirmative action in education admissions. A bill to counter the impact of the Hopwood, anti-affirmative action case cleared the Texas Senate Education Committee and heads for debate on the Senate floor. High school students who graduate in the top 10 percent of their classes would automatically be admitted to public universities -- regardless of the colleges' academic standards. "It's the right thing to do," said Sen. Gonzalo Barrientos, D-Austin, and Senate sponsor of the bill by Rep. Irma Rangel, D-Kingsville. Barrientos added that the bill needs to be followed up with sufficient funding for scholarships to ensure that the same number of minority students are admitted as there were prior to the court ruling. *(Houston Chronicle* 5/1/97)

THE PRESIDENT HAS SEEN
5/13/97

Welfare privatization. On Thursday, the State House approved legislation for an alternative plan to privatize welfare if the current plan does not get required federal approval. The bill is headed to the full Senate. The bill directs the Texas Health and Human Services Commission to work with the governor and the Legislative Budget Board on any privatization plan. *(Houston Chronicle*, 5/2/97)

Family leave. The Texas House approved a bill supporting the enactment of the federal Family Medical Leave Act. The House on Thursday reconsidered Wednesday's vote against the bill and then voted 73-70, giving the bill first-round approval.

VIRGINIA

Coleman Andrews (R) ended his bid for Lt. Governor only six weeks before the primary. Andrews, who began running informally two years ago, said family concerns precluded him from continuing his run. Andrews will use the nearly $600,000 in the bank to pay his staff and refund the balance of the money to his donors. The announcement leaves tobacco executive John Hager as the only Republican in the race.

WASHINGTON

U.S. Senators Patty Murray (D) and Slade Gorton (R) will each hold an event targeting the crucial women's vote in the next two months. Murray, up for reelection in '98, will hold her annual "Golden Tennis Shoe Award" fundraiser on June 23 with the First Lady. Gorton's event, which is not a fundraiser, will be keynoted by GOP speech writer Peggy Noonan. Republicans are engaged in an intensive effort to understand why women voted by a 54-36 percentage for you in 1996.

Rep. Jennifer Dunn (R) is polling statewide and plans to announce in June whether she will run for the U.S. Senate in June 1997.

WISCONSIN

I met with Senator Feingold and he requested that you come to Wisconsin to do a balance budget event.

DEMOCRATIC LEADERSHIP COUNCIL (DLC)

Marcia Hale, Bruce Reed, Elaine Kamarck, Mark Penn, Doug Sosnik, Linda Moore and I participated in the DLC's annual retreat held over the weekend in Charleston. Senators and House members who attended are: DLC Chairman Senator Joe Lieberman, Senator Fritz Hollings and Reps. Cal Dooley (CA), David Price (NC), Silvestre Reyes (TX), Ellen Tauscher (CA), and Jim Moran (VA). On Thursday, the DLC issued a statement supporting the balanced budget deal and praising the "New Democrats" and "Blue Dogs" who backed it. Al From and others did press interviews on the subject as well. There was marked difference in the tone of this retreat compared to those held in the past. For the first time since the Administration began, the DLC and its members are completely supportive of the Administration and feel good about the role they are playing to ensure its success.

cc: The First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Sylvia Matthews
Doug Sosnik
Rahm Emanuel
Maria Echaveste
Kitty Higgins
Marcia Hale
Bruce Reed
Gene Sperling
Mike McCurry
John Hilley

The DLC Update

OUT THIS WEEK: PPI Policy Report, *Averting a Korean Meltdown: A Strategy for the Endgame*, by Senior Fellow Robert Manning. For info, call (202) 547-0001.

The Democratic Leadership — Tuesday, May 6, 1997

The Balanced Budget Deal:
Critical for the Country, Crucial for Our Party

By Al From
DLC President

The budget deal worked out by President Clinton and GOP leaders in Congress is an historic agreement critical for our country. Passing it in Congress with Democratic support is crucial to the future of our Party.

When Bill Clinton took office in 1993, the country had two chronic budget problems: persistent deficits and persistent underinvestment in the physical and human capital necessary for economic growth and upward mobility in our country. The deficit has been reduced by more than two-thirds on President Clinton's watch. If Democrats support him now, this budget deal will finish the job and end three decades of deficit spending. Only then can we as Democrats begin to deal with the second problem of reorganizing budget priorities to promote public investment.

As with all compromises, both sides didn't get everything they wanted. To get this agreement, Republicans agreed to significantly scale back their demands for new tax cuts, as well as their demands for deep domestic spending cuts and entitlement reductions to pay for them. The Administration agreed to reduce the level of domestic spending requested in its original budget plan, as well as agreed to a capital gains and estate tax reduction.

Fiscal discipline is a threshold credibility issue for Democrats. If we embrace it by passing this plan, then voters will give us a hearing on our ideas about investing public resources, from education and worker training to health care. But, if Democrats sabotage a balanced budget on the brink of its achievement by a Democratic President, much of the ground we have gained since 1992 achieving political parity with the Republicans will be rapidly lost as we once again get labeled as "tax and spend" liberals unfit to guard taxpayers' money.

But already some Democrats in Congress are threatening to do just that. The ranking Democrat on the Appropriations Committee stated that "we have experience at bringing down budgets." And, calling it "a Republican bill," the ranking member of the Ways and Means Committee said, "I would be happy as a Democrat if we had this bill if the President was a Republican."

A more honest political assessment came from a freshman Member of Congress, who at the Democratic Caucus meeting on the budget deal said, "I've been here five months. I like it here. If there is no budget deal, I won't be here after 1998. And you need people like me if Democrats are ever going to be in the majority."

This Congresswoman is not alone. Pollster Mark Penn recently asked voters about the budget deal. He asked people whether they would vote to reelect a Democrat to Congress if he or she voted for a budget deal. A majority—52 percent to 24 percent—said yes. Next he asked if they would reelect a Democrat who voted against the budget deal. Thirty-four percent said yes, while 41 percent said no.

Democratic leaders in Congress face a real choice: either help govern now with a chance to regain voters' trust—and a majority—in the future, or posture for political gain and remain in the minority into the next century.

As congressional leaders know, this budget deal is an overall framework. The details still have to be worked out over the coming months. If Democrats support the agreement, we can then shift to the stronger political and moral ground of making the inventments we need to produce economic growth and upward mobility. We can win the fight to extend health care coverage to children, invest more in education, reverse the unfair treatment of legal immigrants in last year's welfare bill, and give middle-class parents an earned break on their taxes.

However, if Democrats sabotage the deal, then the public investment agenda will be subject to the tender mercies of a Republican majority in Congress as far as the eye can see.

The bipartisan deal for a balanced budget marks an important step toward building a firm foundation for economic prosperity in the 21st century. All Democrats should support the President on this agreement. For our country, and for our party, it is a simple choice of either moving ahead or going back.

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This Fax is broadcast to thousands of public officials, citizen activists, and supporters in the DLC network nationwide.
c/o *The DLC Update*, Democratic Leadership Council, 518 C Street NE, Washington, DC 20002
P: 800/546-0027 (202/544-6172 in DC) F:202/546-0628 E-MAIL:info@dlcppi.org WWW: http://www.dlcppi.org/

THE PRESIDENT HAS SEEN
5/13/97

'97 MAY 9 PM6:29

May 9, 1997

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MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Craig T. Smith

SUBJECT: Weekly Political Update

ARIZONA

U.S. District Judge Roger Strand dismissed one of the 23 charges against Gov. Fife Symington (R) because it was "unconstitutionally vague." Symington still faces 20 counts of lying to creditors about his financial condition as well as one charge of attempted extortion and one count of perjury during a Bankruptcy Court hearing.

CALIFORNIA

Attorney General Dan Lungren (R) laid out the broad themes this week of his gubernatorial campaign at an LA Town Hall meeting. Refining his overall theme for his candidacy, Lungren offered crime fighting stating he will attempt to introduce the principles of fighting crime to education and welfare reform. Lungren gave no specifics on how he would do that. The biggest problem Democrats face in this race is that Lungren is running unopposed in the primary and left alone to craft his message. Some Democrats likely to run: LG Gray Davis and ex-Northwest Airlines chair Al Checchi. Other possible Democrats: Sen. Dianne Feinstein, Leon Panetta, and Controller Kathleen Connell.

COLORADO

Governor Roy Romer (D) has said he will decide by June whether to quit as DNC general chair and run for Senate. It is reported that Romer is "excited" by his DNC post, but "colleagues report that he is frustrated at spotty cooperation" from the White House. Representative David Skaggs (D) is waiting for Romer's decision on the Senate race; "If Romer decides not to run for the Senate than I'm likely to decide to get into that one,"

Senator Ben Nighthorse Campbell (R) was the main speaker at the San Luis Lincoln Day Dinner in Alamosa on 5/2. Campaign packets at the event included a 7 page resume of his Hill accomplishments and a "picture postcard of him on a horse in a chieftain's headdress. On the back of the postcard were the words, 'Ben doesn't 'say' he's running. HE IS running.'" Likely Republicans to run: Attorney Bill Eggert, Representative Scott McInnis.

Ending the longest and most heated political battle in state government this year, both houses of the General Assembly approved a new welfare law Tuesday that Governor Roy Romer (D) said he would sign. Supporters portrayed the measure as a compromise allowing counties to have the flexibility to establish their own welfare policies, and Governor Romer, who was adamant there be a statewide minimum level of cash benefits.

THE PRESIDENT HAS SEEN
5/13/97

FLORIDA
The Florida Senate passed a bill sponsored by likely GOP '98 Senate candidate, State Senator Charlie Crist (R) that would force prisoners to work on highways chained together in groups of five rather than on prison grounds. Department of Corrections officials objected strongly to having violent offenders participate in the program due to the unnecessary risk to prison guards and the general public.

Anthony Kennedy Shriver (D) is talking about a run for Miami Beach mayor. Shriver has said, "I'm looking at it closely. I love the beach. And I grew up in a family that viewed politics as a tremendously noble calling."

GEORGIA
Attorney General Michael Bowers (R) handed in his resignation to Governor Zell Miller (D), signaling the Attorney General's intent to make a 1998 run for Governor. However, Bowers, who switched to the GOP just three years ago, played coy with reporters after making his resignation known: "This is the time to leave. Any future plans I have I will announce later." While Miller would not discuss potential Bowers' replacements, one of the names circulated was former Rep. Buddy Darden (D). As for Bowers, he has already started to assemble a staff, but is expected to delay a formal announcement until June. Guy Millner (R), '96 GOP Senate nominee, is taking steps to run against Bowers, despite pressure from party leaders who fear a bloody primary fight. Likely Democratic candidates include Lt. Governor Pierre Howard and Labor Commissioner David Poythress.

HAWAII
Governor Ben Cayetano (D) and Vicky Liu were married 5/6 in a small civil ceremony at the Governor's mansion, Washington Place. It's the second marriage for both. Liu is the President and CEO of United Laundry Services, Inc. The couple, who met a year and a half ago, will honeymoon in Asia.

ILLINOIS
Secretary of State George Ryan (R) is expected to travel to Washington to meet with NRSC chair Mitch McConnell as he "explores a run" against Senator Carol Moseley-Braun (D). Moseley-Braun is seen by Republicans as "vulnerable on ethical issues, particularly with female voters." NRSC spokesperson Mike Russell: "McConnell is interested in discussions with serious and marketable candidates, and Mr. Ryan is definitely a high caliber candidate." The meeting means Ryan "might be shifting the focus of his long-held political ambition" to serve as Illinois Governor. "His own polls show that he would be favored over Moseley-Braun."

Representative Glenn Poshard (D) has lined up the support of 3/4 of Illinois Democratic county chairs in support of his bid for the Democratic nomination of Governor. He has commitments from 79 of the 102 county chairs, but not Cook County, which is two-thirds of the votes in a Democratic primary. A "social conservative and economic liberal," Poshard is seeking to

become the first downstate Democratic gubernatorial nominee since the late Governor Samuel Shapiro in '69. Mayor Richard Daley (D) is supporting John Schmidt, a former DoJ official, and longtime friend. Cook County Chair Thomas Lyons, a Daley ally, is also expected to back Schmidt.

Representative Henry Hyde (R) has established a legal defense fund to pay off more than $70,000 in legal bills he incurred during the 4 years he spend defending his directorship an Illinois S&L which failed in 1990.

INDIANA

Ft. Wayne Mayor Paul Helmke (R) is expected to join former Reagan aide Peter Rusthoven in the race for the Republican nomination for the U.S. Senate. (Secretary of State Sue Ann Gilroy announced this week that she will not be a candidate.) The Republican nominee will face popular former Governor Evan Bayh (D) in the general election.

KENTUCKY

The biggest news in the state this week was basketball coach Rick Pitino's announcement that he is leaving the University of Kentucky for the Boston Celtics.

Louisville Mayor Jerry Abramson (D) surprised everyone with his announcement that he will not enter the U.S. Senate race. This leaves Rep. Scotty Baesler as the only Democrat in the race to date. Abramson's announcement leaves room in the race for the two other Democrats from Louisville who are considering the race, Lt. Governor Steve Henry and businessman Charlie Owen.

MARYLAND

Aided by Steve Forbes, '94 GOP nominee Ellen Sauerbrey formally announced April 30th her intention to run for Governor again in '98. At the gathering, which doubled as a fundraiser, Sauerbrey was flanked by nearly 600 supporters who paid $200 each to attend. Some GOPers have suggested that Sauerbrey can't duplicate her strong 1994 showing. They believe many voters remain troubled by Sauerbrey's handling of the election fraud charges, and are looking at Howard Co. Executive Charles Ecker (R) as a moderate alternative. Forbes is not the only high profile GOPer in Sauerbrey's camp. Dan Quayle and Jack Kemp are also scheduled to stump on her behalf, and former Reagan aide Lyn Nofziger is an adviser to her campaign.

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Secondly, the Boston Globe recently reported Michael Kennedy, Rep. Kennedy's brother, allegedly had an affair with the underage daughter of family friends who was his babysitter for a number of years. A poll conducted by the Boston Globe/WBZ-TV of 400 registered voters found Kennedy's numbers down in a General election match-up. The results are as follows:

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Additional polling by the Boston Herald shows that 80% of 225 registered voters feel that Michael Kennedy's baby sitter scandal will have no effect on Joe Kennedy's gubernatorial run.

MINNESOTA

All four Democratic gubernatorial candidates (Ted Mondale, Attorney General Skip Humphrey, former Auditor Mark Dayton and Hennepin County Attorney Mike Freeman) appeared at a press conference together to endorse state Senator Sandy Pappas, one of several Democrats who is running against party-switcher and St. Paul Mayor Norm Coleman, now a Republican. The endorsement is expected to have little impact on the race, but the candidates viewed it as an opportunity to show party unity. Coleman is still very popular and should be reelected without difficulty.

NEW MEXICO

The New Mexico Special Election remains tight. The election rests on turning out the Democratic vote in the Hispanic and Native American communities. A Mason-Dixon poll of 407 3rd CD voters released today in the Santa Fe New Mexican gives Eric Serna (D) an edge over Bill Redmond (R).

Serna (D)	39%
Redmond (R)	31%

THE PRESIDENT HAS SEEN
5/13/97

Miller (G) 12%
Undecided 15%

The most recent tracking poll sponsored by the DCCC shows the race in a dead heat:

Serna (D) 41%
Redmond (R) 41%
Miller (G) 9%
Undecided 8%

Candidate favorabilities:

Serna (D) 32% (fav) 34% (unfav)
Redmond (R) 37% (fav) 19% (unfav)
Miller (G) 13% (fav) 7% (unfav)

Other polling completed with local pollsters show Serna with a modest lead. The DCCC is fearful these polls may overestimate election day turnout in the Native American and Hispanic communities.

As the campaign winds into the final days before Tuesday's vote, the Serna campaign will focus on education and the Brady Bill. Republican Redmond is extremely right wing on both issues. These issues give the campaign the motivational tools they need to turn out the district's base Democratic vote.

!

Roberto Mondragon, Democratic turned Green Party Leader for the last 8 years, announced at a press conference yesterday, that he was changing his party registration and coming back to the Democratic Party. He noted his decision was made after lengthy discussions with newly elected New Mexico State Chair Ray Sena. Additionally, he announced his enthusiastic support for congressional candidate Eric Serna (D).

NEW YORK

Rent control laws have become an increasingly hot issue as the NY Democratic Party started to run advertisements urging voters to hold Governor Pataki (R) and Sen. Al D'Amato responsible if the Republican controlled state legislature allows rent control to expire in June. Insiders believe Pataki and D'Amato will emerge at the last moment to help forge a compromise. Sen. D'Amato showed signs of compromise this Monday when he stated "forced deregulation by any particular date was unacceptable to him."

On April 36th, City Council Speaker Peter Vallone proposed a ban on cigarette advertising on billboards, store windows and other sites within 1,000 feet of schools. The proposal drew the support of the Mayor's office.

Mayor Giuliani (R) announced he is considering asking Assemblyman Jules Polonetsky (D), of Brooklyn, to join the GOP ticket and run for Public Advocate. Mayor Guiliani lost Brooklyn in his 1993 election.

OHIO

Right-wing African American State Treasurer Kenneth Blackwell (R) has said he will challenge frontrunner Secretary of State Bob Taft for the Republican nomination for governor. Many believe, however, that he is imitating Taft's moves in 1990 when Taft cut a deal with now-Governor George Voinovich (R) and party leaders for a clear path to the 1998 gubernatorial nomination in exchange for bowing out of the race that year.

PENNSYLVANIA

A new poll conducted, on the Democratic Mayoral Primary in Pittsburgh on May 20th, by Mason-Dixon of 485 registered Democrats found that Mayor Tom Murphy (D) has only a small lead over Councilman Bob O'Connor (D).

General Election Matchup	
Murphy	41%
O'Connor	39%

However, another poll conducted by Tribune Review and WPXI-TV shows O'Connor behind 57% to 27%. The Murphy campaign believes the Mason-Dixon poll is inaccurate. They believe the Mayor has a solid lead.

DEM PRIMARY	
Murphy	57%
O'Connor	27%
Roston	1%

IS CITY MOVING IN THE RIGHT DIRECTION?	
Yes	55%
No	29%
Not Sure	15%

TENNESSEE

The '98 Democratic gubernatorial nomination continues to be the hot topic among Party insiders with three names currently in the mix; Congressman Bob Clement, former House Majority Leader Bill Purcell and Healthcare entrepreneur Clayton McWherter. Purcell and Clement are the only two individuals who are making the rounds of Democratic gatherings and "must do" public/political events. Democratic Party leaders/donors question whether any Democrat can mount a significant challenge to Governor Don Sundquist (R), and are concerned that a lackluster candidate will drain significant resources from other priority elections. Conversely, insiders fear that without a significant challenge, Governor Sundquist will use his $3.5 million war chest to attack Democratic Legislators in the '98 cycle.

A compromise of sorts may have been reached with regard to organized labor's efforts to pass a bill sponsored by Representative Bill Boner (D) and Senator Thelma Harper (D) designed to permit legally enforceable contracts between Metro Davidson County government and it's

employee unions. This bill was part of a larger legislative strategy by organized labor to strengthen their position in a "right to work" state and was being viewed as a loyalty test of Democratic legislators by Labor.

TEXAS

Primary elections. Legislation to move the state's primary elections to the first Saturday in May has cleared the Senate State Affairs Committee. The primary bill would take effect for the 1998 elections.

1998 Governor's Race. A Dallas Morning News article on May 4, reported that Land Commissioner Garry Mauro (D) is quietly laying the groundwork for a run for Governor. He hired Mark Penn to do his polling and has received assurances that First Lady Hillary Rodham Clinton will back him. Even though Mauro has said he will not seek a fourth term as Land Commissioner, he left the door open to reconsider if a lawsuit against major oil companies filed by his office remains pending next year. Another Democratic challenger is Comptroller John Sharp. Sharp is monitoring the tax debate to see how vulnerable this issue makes Governor George W. Bush (R). Sources close to Sharp say he is definitely running.

Note: In the same article, during Congressman Gephardt's visit to Texas, State Democratic Party Chair Bill White vowed to target two more congressional seats--Ron Paul (R) (San Marcos/Victoria) and Pete Sessions (R) of Dallas.

1998 Land Commissioners Race. Several Democrats and Republicans are eyeing the Land Commissioner seat. An officially announced candidate for this race is Tim Turner(R), a member of the State Republican Executive Committee from Houston with vast experience in the oil and gas industry. Possible candidates include State Secretary Tony Garza (R)--a Hispanic lawyer from the Rio Grande Valley, Denton County Judge Jeff Moseley, and State Rep. Richard Raymond (D). Raymond served as a legislative aide to former Senator Paul Simon (D-IL) and did Hispanic political outreach for Governor Ann Richards reelection campaign in 1994. State Rep. Raymond participated in the 1996 Texas elected officials bus tour and the Just Vote '96 GOTV tour with Secretary Henry Cisneros and Secretary Federico Pena in Corpus Christi and Laredo.

Austin Mayoral race. On May 5, Austin City Council Member and mayoral candidate Ronney Reynolds announced his withdrawal from a runoff election against Kirk Watson (D). With a 9-10% turnout in the May 3 election, Reynolds received 39.9 percent of the vote and Watson got 48.5 percent of the vote.

San Antonio non-partisan Mayoral Race. Kay Turner and City Councilman Howard Peak will face off in a May 27 mayoral runoff after incumbent Mayor Bill Thornton (R) was ousted May 2, after one term in office. Thornton's campaign witnessed some tumultuous events over the last three weeks--he accused an ex-adviser of stalking him, his mother passed away, and he had a 7-point drop in the polls. Thornton (R) will leave office June 1. For Turner, it's the second time

VIRGINIA

Coleman Andrews (R) ended his bid for Lt. Governor only six weeks before the primary. Andrews, who began running informally two years ago, said family concerns precluded him from continuing his run. Andrews will use the nearly $600,000 in the bank to pay his staff and refund the balance of the money to his donors. The announcement leaves tobacco executive John Hager as the only Republican in the race.

WASHINGTON

'96 congressional nominee Brian Baird (D) announced he will run again for Rep. Linda Smith's (R) seat in '98. Baird narrowly lost to Smith last year (49% to 51%). Smith has not yet indicated whether she will run for reelection. She is rumored to be interested in challenging Sen. Patty Murray (D).

Randy Tate (R) former Representative for the 9th CD in Washington, is under consideration to head the Christian Coalition. Tate, who received a 100 percent rating from the Christian Coalition during his two years in congress, has not ruled out a '98 challenge to Adam Smith (D).

1998 U.S. HOUSE RACES

The DCCC made a small media buy this week aimed at generating free press in the following markets: Atlanta, Austin, Birmingham, Cleveland, Des Moines, Las Vegas, Louisville, Milwaukee, Phoenix, Seattle, St. Louis and DC. The districts targeted are currently held by: John Shimkus (IL), Charles Norwood (GA), Saxby Chambliss (GA), Ron Paul (TX), Bob Riley (AL), Jim Leach (IA), Jim Nussle (IA), Greg Ganske (IA), John Ensign (NV), Scotty Baesler (KY), Anne Northup (KY), Mark Neumann (WI), J.D. Hayworth (AZ), Rick White (WA), Glenn Poshard (IL), and Kenny Hulshof (MO). The ad warns taxpayers not to allow Newt Gingrich to use their tax dollars to pay his $300,000 fine and asks them to call the DCCC's 900 number.

cc: The First Lady
Mrs. Gore
Erskine Bowles
John Podesta
Sylvia Matthews
Doug Sosnik
Rahm Emanuel
Maria Echaveste
Kitty Higgins
Marcia Hale
Bruce Reed
Gene Sperling
Mike McCurry
John Hilley

THE PRESIDENT HAS SEEN
5/13/97

THE WHITE HOUSE

WASHINGTON

'97 MAY 9 AM9:46

May 8, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: **ANN LEWIS** Ann

SUBJECT: **RICHARD REEVES ARTICLE**

Richard Reeves thought you would enjoy the attached article, which discusses innovative "soft money" fund-raising by FDR in 1936, and how he was criticized. He also points out that, even in 1936, the Republican campaign out-raised the Democrats.

Copied
Emanuel
Sosnik
COS
HRC
Grossman
Romer
Carville
Begala

Gives
Made 10 copies
+ copies to Rahm, Bowles, COS -
Steve Goodman, Rahm, Romer
Hagel, Carville, Begala

FROM UNIVERSAL PRESS SYNDICATE
FOR IMMEDIATE RELEASE **DATED: 5/7/97**
RICHARD REEVES by Richard Reeves
SOFT MONEY AND HARD PRESIDENTS

WASHINGTON -- Republican suspicions about the president's fund-raising tricks began during the Democratic National Convention, when it seemed the White House was using all the powers of the presidency to get around legal restrictions on corporate contributions to his re-election campaign.

"Corporations and corporate officials have been and are being bludgeoned into tribute to the coffers of the Democratic national campaign chest," said one Republican senator, according to CBS News transcripts at the time. "The whole proceeding is manifestly unlawful, vicious and demoralizing ... cynical ... contemptuous ... They are peddling (the) president of the United States."

The White House, bland as always about such charges, said the president himself knew nothing of what his fund-raisers might be doing. It seems he did not even know that the money calls were being made from the offices of Cabinet members.

Sure he didn't, not even when he signed his own name for contributors -- 2,500 times.

"A dark page in the history of this country," Sen. Roy O. Woodruff of Michigan told CBS Radio on Aug. 8, 1937. The president was Franklin D. Roosevelt. The law being skirted (or rolled over) was the Federal Corrupt Practices Act of 1925.

"This was the beginning of soft money in presidential politics," said Lloyd Cutler, a former counsel to President Bill Clinton. He was holding a heavy leather-bound volume, 384 11-by-14 pages, titled "The Democratic Book of 1936." (Our encounter was neither political nor journalistic. The occasion was the opening of a showing of the recent work of artist Polly Kraft, who is Mrs. Cutler.)

This was how FDR raised more than $1 million for the Democratic Party after winning a second term against Gov. Alfred Landon of Kansas. The book was an expanded version of the program of the 1936 convention in Philadelphia, which made some money for the '36 campaign at $2.50 a copy. After crushing Landon, who carried only two states, Maine and Vermont, FDR signed 2,500 bound copies with some new material, including the overwhelming vote count in his favor. Then James A. Farley, who was chairman of the Democratic National Committee and sat in the Cabinet as postmaster general, sold the bound copies for prices ranging from $100 to $1,000 each.

There were also more than a hundred pages of advertising, which sold for at least $700 a page. There were more than a dozen alcohol and tobacco pages alone, congratulating the First Smoker and the man who signed the repeal of Prohibition: Calvert, Canadian Club, Schenley's, Seagrams, Anheuser-Busch, Miller's, Pabst, Chesterfield, Lucky Strike, Camel and Old Gold. One of two Camel pages had this to say: "Science confirms the truth of the popular phrase: 'For Digestion's sake, smoke Camels.'"

IBM was in there, showing an automatic payroll machine the size of a small car, along with Chrysler, United Fruit, Bank of America, Bendix, John Deere, Sears-Roebuck, the United Mine Workers, and a yacht company called ELCO offering a nifty 48-footer for just 15,500 Depression dollars.

Some of those corporations, or their officers, had been notably hostile to candidate Roosevelt, but there is only one president at a time. Live and let live? Of course. Coercion? Of course. That's politics, then and now.

The text of the book was pretty good, with short biographies of Roosevelt and his team and the short histories of his 4-year-old "alphabet" agencies.

The WPA (Works Progress Administration) section was written by Harry Hopkins, a close FDR aide, who began with

the quote, "The poor we shall always have with us," and this rejoinder, "Then it is time we did something about them." Willem Van Loon ("Van Loon's Lives") profiled Roosevelt, and Fannie Hurst, the actress, wrote the section on "Democratic Women in Politics."

It was fun to read. The copy I saw was engraved to Henry P. Fletcher and numbered 873. The price was $1,500 at the shop of Glenn Horowitz Bookseller in Easthampton, N.Y., at the end of Long Island. It was not affordable history for me. But driving home, I imagined FDR laughing at self-righteous Republicans. Even with a sure loser, the Republicans were able to raise almost $9 million for Landon while Roosevelt had to make do with just over $5 million. The man was the Michael Jordan of his business, born to laugh at his critics.

I thought this, too: If it were not for the 22nd Amendment, passed after FDR's death, limiting presidents to two terms, Bill Clinton would run again in 2000 -- and he would win.

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4520 Main St., Kansas City, Mo. 64111; (816) 932-6600

THE WHITE HOUSE

WASHINGTON

DATE: 5/13/97

NOTE FOR: Craig Smith

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

Information ☐

Action ☒

Please distribute the attached copies to Grossman and Romer.

Thank you.

Staff Secretary
(x6-2702)

cc:

THE WHITE HOUSE

WASHINGTON

DATE: 5/13/97

NOTE FOR: Mr. James Carville

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

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

Mr. James Carville
112 5th Street, SE
Washington, D.C. 20003

THE WHITE HOUSE
WASHINGTON

DATE: 5/13/97

NOTE FOR: Mr. Paul Begala

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

Information ☐

Action ☒

Thank you.

Staff Secretary
(x6-2702)

cc:

Mr. Paul Begala
98 San Jacinto Boulevard
Austin, TX 78701

THE WHITE HOUSE
WASHINGTON

May 13, 1997

MR. PRESIDENT:

We will have a response prepared.

Todd Stern

Just send to Jim to have a response prepared – not to POTUS now.

PM/

DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

10 MAY 1997

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

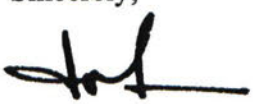
For the past two years it has been an honor to serve in your Administration as Deputy Secretary of Defense with both Secretary Perry and Secretary Cohen. We have accomplished a great deal and I am confident that you will enjoy even greater success in national security policy as you move forward in your second term.

When I returned to the Department of Defense in 1995, I had just finished serving as Chair of the Commission on Roles and Missions of the Armed Forces. The recommendations of that Commission have largely been implemented by the Department, and I am proud to have been a part of that process. One recommendation of the Commission was that the Department conduct a Quadrennial Defense Review (QDR) of national defense strategy, policy, and programs. We have undertaken such a review, and as a result of the decisions made by you and by the Secretary in the course of the QDR we have now provided the foundation for shaping defense policy well into the next century.

I have also been proud to participate in the major initiatives of the past two years to promote American leadership and improve our national security in a changing world. These include the highly successful deployment of our troops to Bosnia and their subsequent excellent performance, our force protection and anti-terrorism initiatives in the wake of the Khobar Towers bombing, our continued success with acquisition reform, implementing the base closure and realignment decisions, and great progress in streamlining and reforming our intelligence acquisition and distribution processes.

The time has now come for me to move on to new challenges, and I am resigning my position as Deputy Secretary of Defense. I will continue to serve until a date this summer that is mutually agreeable between Secretary Cohen and me in order to effect a smooth transition for my successor. The privilege, Mr. President, of serving in your Administration and of working with the outstanding men and women of the Department of Defense has been deeply gratifying. I wish you and your team every continued success in the months ahead.

Sincerely,



'97 MAY 12 PM6:03

THE WHITE HOUSE
WASHINGTON

5-12-97

Todd,

The enclosed is referred for your information.

E. Thomas for
G. Timothy Saunders
Executive Clerk

Resignation letter from John White To POTUS today

John White resignation letter

THE PRESIDENT HAS SEEN
4-25-97

REVISED

PRESIDENT WILLIAM JEFFERSON CLINTON

PRESS STATEMENT WITH PRIME MINISTER

HASHIMOTO OF JAPAN

THE WHITE HOUSE

WASHINGTON, D.C.

'97 APR 25 PM1:00

APRIL 25, 1997

21st c - Helsinki
Cambodia
Taiwan
Burma
Bosnia
Seoul

Vietnam - Cultural
~~Human~~ Rights
* Asean - Vietnam
WTO
Status of Cambodia
Obo, powerful ex

Before we begin, let me say that I have just come from signing the instrument of ratification to the Chemical Weapons Convention with the Vice President. Last night's strong, bipartisan vote by the Senate in favor of this treaty will keep our soldiers and citizens safer from the threat of chemical attack. It also sends a clear signal that Americans of both parties are united in their resolve to maintain America's leadership in the world in the next century no less than the last.

~~**Now we must take advantage of this moment of cooperation to continue to build America's leadership role in the world -- and to build it together.**~~

It's appropriate that this signing take place while Prime Minister Hashimoto is here, since Japan set a strong example for the world by ratifying this treaty more than a year ago. So I am particularly pleased on this historic day to welcome the Prime Minister to Washington. Over the last two years, Ryu [REEYOO] and I have met many times. We have built a strong friendship that reflects the shared values and interests of two of the world's strongest democracies and leading economies. Today's discussions were no exception. Working together, the Prime Minister and I continued our efforts to make sure our partnership can meet the challenges of a new century.

Our security alliance remains the cornerstone of peace and stability in the Asia-Pacific region. Building on the Joint Declaration we signed in Japan last April, we are strengthening our security cooperation while reducing the burden of our bases on the Japanese people. Today, we reviewed recent progress in consolidating some of our bases in Okinawa, in ways that reflect our continuing sensitivity to their effect on the lives of the Okinawan people. I particularly appreciate the strong leadership and support for our alliance that the Prime Minister showed in passing legislation that will enable our forces to continue using these important facilities.

We also discussed regional security, including our joint interest in promoting peace and stability on the Korean Peninsula. The United States and Japan are united in urging North Korea to accept the standing offer for four party peace talks. I want to thank Prime Minister Hashimoto for Japan's role in the Korean Energy Development Organization that has helped keep North Korea's dangerous nuclear program frozen. The Prime Minister and I agreed on the critical importance of cooperative relations with China. We also agreed on the need for the international community to stand firmly behind democracy's progress in Cambodia.

The Prime Minister and I both recognize the importance of keeping our economic relationship moving in the right direction. Over the last four years, we have worked together to open markets and achieve a better balance in our trade and investment ties. I told Prime Minister Hashimoto that we need to build on this success, creating new opportunities in key sectors for American workers and broad benefits for Japanese consumers. We both want to promote strong, domestic demand-led growth in Japan and avoid a significant increase in Japan's external surplus. These are essential to sustaining the progress we have already made. ...

I welcome the Prime Minister's commitment to restructuring Japan's economy, including far-reaching deregulation. An ambitious reform program should bring economic benefits to Japan and improve market access for American and other foreign firms. To this end, we have agreed to intensify talks on deregulation under our Framework Agreement.

~~From Haiti to Bosnia, our global partnership is also making a real difference around the world~~. **Among the global issues we discussed today were preparations for this June's Summit of the Eight in Denver and how to strengthen reform at the United Nations.**

Tomorrow, the Vice President and Prime Minister will discuss our Common Agenda to fight disease, protect the environment and meet other important collective challenges.

Finally, I thanked the Prime Minister for Japan's efforts to bring our young people closer together. The new Fulbright Memorial Fund will send 5,000 American high school teachers and administrators to Japan over the next five years. We welcome the Prime Minister's initiative to send high school students from Okinawa to study in the United States, and will increase our funding for American students to do the same in Okinawa.

These ties of friendship reflect the shared values that underpin our vital alliance. [If you will permit me to quote some haiku [HI-KOO]:

Old friends standing tall

Spring sunlight on their shoulders

Makes them move as one.

Moving as one in this time of challenge and change, Prime Minister Hashimoto and I are committed to working together to realize our partnership's full potential.

###

THE PRESIDENT HAS SEEN
4-30-97
'97 APR 30 PM5:46

PRESIDENT WILLIAM J. CLINTON

REMARKS FOR LIBRARY OF CONGRESS GALA

WASHINGTON, DC

APRIL 30, 1997

Laura Capps

[*The President reads a selection from Thomas Jefferson's draft of the Declaration of Independence.*]

"When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the Powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation. -- We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed . . . But when a long train of abuses and usurpations, pursuing invariably the same Object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security. . . *We, therefore,* the Representatives of the *united States of America*, in General Congress, Assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the Name, and by Authority of the good People of these Colonies, solemnly publish and declare, That these United Colonies are, and of Right ought to be *Free and Independent States*. . .

THE PRESIDENT HAS SEEN
4-30-97

And for the support of this Declaration, with a firm reliance on the protection of divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

[*The President delivers remarks.*]

Acknowledgments: Chief Justice Rehnquist; Speaker Gingrich; Senator Daschle; James Billington; the Joint Commission on the Library of Congress; John Kluge and the entire James Madison Council; Paul Allaire and the Xerox Corporation; Marilyn Horne; Michael Ryan [performed National Anthem]; Members of Congress; other distinguished guests.

As Jim Billington mentioned a moment ago, the passage I just read comes from an early version of the Declaration of Independence, written in Thomas Jefferson's own hand, with John Adams' and Benjamin Franklin's edits. These minor changes made a difference in a document that changed the world, and they bring our history to life in a way that every American should have the chance to see.

Now, they will be able to. I am honored to be here with you to celebrate the reopening of the Thomas Jefferson Building, with its glorious reading room, and the American Treasures exhibition -- a collection of the Library's most unique and precious holdings . . .

THE PRESIDENT HAS SEEN
4-30-97

Everything from the rough draft of the Declaration of Independence I just read from, to George Washington's letter on the importance of religious freedom, to the first known autobiography of a slave, written by Briton Hammon [BRIT-tun HAM-mund] about his sufferings.

It is fitting that the books from Thomas Jefferson's personal library are at the core of the American Treasures collection. He understood that ~~our~~ democracy depends on the free flow of ideas ~~and~~ the remembrance of history. ~~He knew that nothing can diminish a nation that values knowledge, and preserves the liberty of its people~~ to ~~pursue~~ it.

THE PRESIDENT HAS SEEN
4-30-97

To pursue our objectives

~~And~~ our ~~struggling~~ young nation ~~committed itself~~ at great cost ~~to~~ establish~~ing~~ed a library ~~that would make~~ that ~~pursuit possible~~.

From those first volumes, the Library of Congress has become the largest library in the world, visited by ~~one~~ two million people every year in person, and millions more every week on the Library's Internet web site. ~~I visited here myself last year when I signed the Telecommunications Bill that will help~~ w/ more to come as we work to make every school and library in America to connect to the Internet.

THE PRESIDENT HAS SEEN
4-30-97

In the most modern way
~~That means~~ that children in the most isolated rural schools, the most comfortable suburbs, the poorest inner-city schools will be able to read the ~~same~~ rough draft of the Declaration of Independence, and ~~have the same access to~~ all ~~of~~ the other wonderful resources of the Library of Congress. Mr J who looked to the future more than the past even at the end of his days will be proud.

This year, the Thomas Jefferson building celebrates its 100th anniversary. And walking through these beautifully restored rooms and hallways, you can almost feel the exuberance and optimism of our nation at the turn of the century. Now, we are at the dawn of a new century, a new age of possibility where we will face new challenges.

THE PRESIDENT HAS SEEN
4-30-97

Yet in a sense we are where we were at the beginning. For ~~But~~ of all of our challenges, ignorance is the most threatening; of all of our riches, knowledge is the most valuable. ~~And it will matter more than ever before~~ Except this will be even more true in the 21st century.

That is why the restoration of this historic building and the opening of the American Treasures exhibit is so significant. By renewing our Founders' commitment to the Library of Congress, we are ensuring that future generations will continue to be inspired and guided by the ideals that built this country. And we are giving all of our people -- especially our children -- the knowledge to ~~be~~ to realize their dreams + our own unfolding destiny ~~become the leaders of~~ tomorrow.

We have always been a nation of creators and innovators. And we are all Jefferson's heirs. Every President has looked to his words for guidance, especially in times of challenge and change. President Lincoln invoked the Jeffersonian ideal to heal a wounded nation as he stood on the buried battleground at Gettysburg. President Franklin Roosevelt looked toward the world that would follow WWII, and he, too, called upon Jefferson for inspiration and courage. And the words that he wrote then are as relevant today as they were in 1945:

"We must . . . do all in our power to conquer the doubts and the fear, the ignorance and the greed. . . .

Today, science has brought all the different quarters of the globe so close together that it is impossible to isolate them one from another. Today, we are faced with the preeminent fact that, if civilization is to survive, we must cultivate the science of human relationships -- the ability of all peoples, of all kinds, to live together and work together, in the same world, at peace. . . .And to you, and to all Americans who dedicate themselves with us to the making of an abiding peace, I say: The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active faith."

THE PRESIDENT HAS SEEN
4-30-97

That was the speech he was working on this month 52 yrs ago as Franklin Roosevelt ~~never lived to deliver that speech~~, were gone. But his words, like those of Thomas Jefferson, will

forever guide this nation. On Friday, we will gather to

dedicate the Franklin Delano Roosevelt Memorial -- the

first Presidential memorial since President Roosevelt

dedicated the memorial to President Jefferson. And

FDR & TJ would be proud of them today, eager to see their work

together, we will renew our commitment to fight tyranny, ~~ignorance~~ & help its opponents, & ensure we learn lessons of the past as we march

with liberty, fear with restored hope, and ignorance with

our resolve, ~~[illegible]~~ & confirm seek to walk away

knowledge. & confidence —

For in the course of human events, it has fallen to

her, for our own benefit because it is right, to ~~[illegible]~~ extend

to a waiting world the ideals to which FDR pledged

his life, his fortune

his sacred honor

Thank you.

III. PARTICIPANTS

Pre-briefing participants: Ellen McCulloch Lovell
Ann Lewis
Jordan Tamagni

Event Participants: Dr. James Billington, the Librarian of Congress
Mr. Paul Allaire, Chairman of the Xerox Corporation
Chief Justice William Rehnquist – Reading Robert Jackson's address at 150th anniversary of Supreme Court, 1940
Mr. John Kluge, Chairman of the James Madison Council
Speaker of the House Newt Gingrich – reading Manuel Josephson (President of Phila. Hebrew Congregation) letter to George Washington.
Senator Thomas Daschle – Reading Thomas Jefferson's description of his own library, which Congress bought in 1815 (6,500 volumes!)
Ms. Marilyn Horne, Opera Singer
Rep. Bill Thomas, Chairman, JT. Committee on the Library.

The Library is expecting over 400 guests, including many members of Congress.

IV. PRESS PLAN

Tour: White House Photo Only
Gala: Open Press

V. SEQUENCE OF EVENTS

- The President arrives in the Map Room for event briefing with Ellen McCulloch Lovell, Ann Lewis and Jordan Tamagni.
- The President departs for the Library of Congress.
- The President arrives at the Library of Congress and is greeted by Dr. James Billington, Librarian of Congress, Mr. Paul Allaire, Chairman and CEO of Xerox Corporation, and Mr. John Kluge, Chairman of the James Madison Council.
- The President tours the American Treasures exhibit with the program participants.
- The President is announced into the room accompanied by Dr. James Billington and Mr. Paul Allaire and proceeds to his table.
- The Colors are presented.
- *The National Anthem of the United States* is performed by Michael Ryan.
- Dr. James Billington makes welcoming remarks.
- Paul Allaire makes remarks.
- The Honorable William Rehnquist is announced and gives a reading from a historical document.
- Senator Thomas Daschle is announced and gives a reading from a historical document.
- Speaker Newt Gingrich is announced and gives a reading from a historical document.
- The President is announced and gives a reading from the *Declaration of Independence*.
- The President makes remarks and returns to his seat.
- Musical selections are performed by Marilyn Horne.
- Dr. Billington concludes the program and The President departs.