

THE WHITE HOUSE
WASHINGTON

Date 5-19-97

To: Bruce Reed

From: The Staff Secretary

Please forward the attached book
and CD to Maria Echaveste after you
have had an opportunity to review.

Thank you.

Copied
Reed
Echaveste
COS

Chron

THE WHITE HOUSE
WASHINGTON

Date 5-19-97

To: Maria Echaveste

From: The Staff Secretary

Bruce Reed will forward the book
and CD to you after he has had
an opportunity to review.

TO Bruce/
M Echaveste

Fyler
BC

THE PRESIDENT HASSEEN
5-19-97

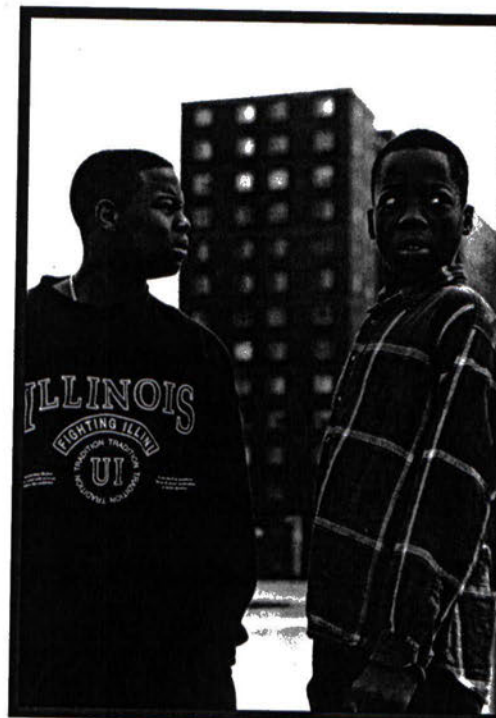
**GHETTO LIFE 101 and
REMORSE: The 14 Stories of Eric Morse**

By LeAlan Jones and Lloyd Newman
Produced by David Isay Hosted by Ray Suarez



OUR AMERICA

LEALAN JONES AND



OUR AMERICA

Life and
Death
on the
South Side
of Chicago

LEALAN JONES AND LLOYD NEWMAN

WITH DAVID ISAY

Photographs by John Brooks • Preface by Dr. Cornel West

THE WHITE HOUSE
WASHINGTON

DATE: 5-19-97

NOTE FOR: SECRETARY ROBERT RUBIN

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

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

5-19-97

Todd-
After you have
seen

a. chwer

DLK

5-19-97

THE WHITE HOUSE

WASHINGTON

May 18, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Financial Services Modernization

The attached memo from Gene Sperling seeks your approval to let Treasury proceed with a proposal for financial services modernization. Sec. Rubin hopes to announce Treasury's modernization proposals in a May 21 speech, and he has agreed to testify before the House Banking Committee the first week of June. If you agree, Treasury will, tomorrow, put out some advance word on the Rubin speech.

The attached memo is long, detailed and technical, but you can get the essentials by looking at the first four pages. Those give you a summary of the five main controversial issues, plus a review of action on the Hill. (Pages 5-14 go back over the five key issues in depth.) Internally, there is consensus on Treasury's proposal among all involved agencies -- NEC, Commerce, Justice, SBA, OMB, CEA, DPC, and Leg. Affairs.

The five key issues and Treasury's answers, in a nutshell: (1) Should banks be allowed to affiliate with other financial service companies (e.g., insurance, securities) and with non-financial firms? *Treasury intends to propose two different alternatives, which would each allow banks to affiliate freely with other financial companies, but would treat affiliation with non-financial firms differently;* (2) should diversified holding companies be regulated, with special reference to the role of the Fed? *Treasury would allow Fed to impose capital requirements in limited circumstances -- where (i) the holding company has assets over \$75 billion including bank assets over \$5 billion, (ii) aggregate bank assets constitute at least 75% of total holding company assets, or (iii) bank subsidiary falls below "well-capitalized" category;* (3) should the CRA be extended beyond banks and thrifts? *No. Infeasible and possible damaging politically;* (4) should strong consumer protections be written into new legislation as distinguished from being left to regulation? *Treasury would require bank regulators to adopt regulations to protect consumers, but not write protections into the bill itself;* and (5) should Treasury submit legislative language with its report? *Yes.*

Rubin note. I have also included a note from Bob Rubin which emphasizes that (a) this would be a Treasury initiative, requiring little White House time; (b) although he thinks prospects for passing legislation, even next year, are uncertain, Treasury's absence from the field would appear as a lack of leadership; and (c) trying to extend the CRA to nondepository financial institutions, such as insurance companies or mutual funds, could render an overall bill dead on arrival.

Approve Treasury proceeding ☒Disapprove ☐Discuss ☐



'97 MAY 16 PM2:31

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

THE PRESIDENT HAS SEEN
5-19-97

SECRETARY OF THE TREASURY

May 16, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *R. E. R.*
SUBJECT: Treasury's Financial Modernization Proposal

I would like to share with you a few observations of my own in addition to the views represented in the attached memorandum from the National Economic Council.

Over the past nine months, the Treasury has carefully reviewed the political and policy issues relating to modernization of financial services regulation. We have conferred with a range of experts on the subject and met with dozens of associations representing the views of providers and users of financial services. I believe that our proposal, although controversial in some respects, strikes a reasonable balance among the competing interests and policy considerations. It also leaves the most controversial issue -- affiliations between banks and nonfinancial companies -- for further debate.

Should you approve our recommendation to move forward, the proposal would be a Treasury initiative, and would not require a significant time commitment from the White House. I and my staff will manage the process of advancing the proposal, and with due regard for your Administration's overall priorities.

Historically, Congress has had great difficulty enacting legislation to modernize federal regulation of financial services -- which involves thorny issues and longstanding conflicts among banks, securities firms, insurance companies, and others. This Congress may be no exception: we do not expect legislation to pass this year, and the prospects next year are uncertain.

But the Treasury's absence from the field would be seen as a failure by the Administration to provide leadership where leadership is expected.

Lastly, some have suggested using financial modernization legislation as a vehicle for extending the Community Reinvestment Act to nondepository financial institutions (such as mutual funds or insurance companies). We believe that such an extension is neither practical nor politically feasible -- and could, in fact, render any financial modernization proposal dead on arrival. We will, in any event, block any Congressional efforts to weaken CRA.

I look forward to learning soon of your decision on this matter.

'97 MAY 19 PM4:44

Daniel J. Barnak
6973 Candlewood Drive
Fayetteville, North Carolina 28314-1605
(910) 868-6190

Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500
(202) 456-2883

Attention:

Ms. Betty W. Currie
Personal Secretary to the President

Please forward accordingly.

5/19/97

Send to Donskind

Yes

No

The Honorable William J. Clinton
The President of the United States

Mr. President;

Please review the enclosed material for adaptation to the federal government of the United States. In these times of economic retrenchment I am confident one can appreciate the value of this reduction to the budget and the beneficial aid to the public image and opinion of this Administration.

I am confident one will evaluate this program and appreciate the advantages it does afford this Administration in governmental efficiency and public support.

The easy solution is to pass this inquiry to the Army. However, one phone call to the Postal Metering Room will determine the number of outgoing mail pieces per month. This x 5 cents (minimum) per item savings is appreciable and quite impressive. The entire government will benefit from some tens of millions of dollars in reduced mailing costs, per annum.

Senator Helms and Senator Faircloth have had this message for some time and may well be awaiting a favorable opportunity for its presentation.

I do believe one person can make a difference. I would be most willing to focus my energies toward your satisfaction in this matter.

Workday telephone contact: (910) 432-5326 / 4607 / 3822.

Sincerely, yours in service,

Daniel J. Barnak

19 May 97

Cover Sheet inclusive of 6 pages

USASOC SUGGESTION (USASOC Pam 5-17)		1. SUGGESTION NO. <i>SPBG 960008</i>	
2. NAME OF SUGGESTER (LAST, FIRST, MIDDLE INITIAL) Barnak, Daniel J.		3. ACTIVITY AOJK-RCD-TBN	
4A. OFFICE PHONE (910) 432-4607/3822	4B. POSITION TITLE, GRADE/RANK Training Technician, Supervisor GS-07		
5. SUBJECT OF SUGGESTION Reduction of Organization Mailing Costs			
The acceptance by me of a cash award or other form of recognition for this suggestion shall constitute an agreement that the use of the suggestion by the United States shall not form the basis of a further claim of any nature upon the United States by me, my heirs, or assigns.			
6. DATE February 12, 1996	7. SIGNATURE OF SUGGESTER <i>Daniel J. Barnak</i>		
10. THANK YOU FOR YOUR SUGGESTION. It has been assigned the above number shown in Item 1 and will be given careful consideration. You will be kept advised as to the action taken.		11. SIGNATURE OF USASOC COORDINATOR Phone AV239-3392 432-3392	
12. DESCRIBE CURRENT PROCEDURE: This Command pays the United States Postal Service the basic \$.32 per mailing item.			
13. DESCRIBE PROPOSED PROCEDURE: While consolidation of outgoing mails by state, region and military reservation is today a reality, collecting and retaining at a centralized point is practical until the minimum 200 piece level is received. Further, a sorting by three digit zip code would heighten the efficiency of the USPS and further lower the price of postage. This may require a 2-3 day delay in dispatch, however: <i>urgent correspondences would be discharged as presently posted with a \$.32 stamping, thus avoiding that possible delay.</i> An \$ 80.00 yearly fee is required per customer.			
14. WHAT ARE THE BENEFITS IF THE PROCEDURE IS CHANGED? With consolidation, a slight modification of procedures would net the Command, all MACOMS, Schools, Government Agencies, ect. a decrease in postage rates from \$.05 - \$.16 per item, USASOC - approx. \$ 2,700.00 per year. Large commercial entities have long realized the cost effectiveness of serious and well-disciplined procedures of 'exported' mails. This service, extended to American Consumer Businesses, will drastically reduce the operating costs of outgoing correspondence while assisting the efficiency of the USPS.			

REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY
SPECIAL OPERATIONS COMMAND
FORT BRAGG, NORTH CAROLINA 28307-5200



AOFI-RM-BOD (5-17)

17 Apr 96

MEMORANDUM FOR Commander, John F. Kennedy Special Warfare Center
and School, ATTN: AOJK-RCD-TBN (Daniel J.
Barnak), Fort Bragg, NC 28307

SUBJECT: Evaluation of Army Ideas for Excellence Program (AIEP)
Suggestion #SPBG960008, Reduction of Organization Mailing Cost

1. Subject suggestion recommended reducing mailing costs by collecting outgoing mail by state, region and military-reservation and retaining it at a centralized point until the minimum 200 piece level is received. In addition, suggestion proposed sorting mail by a three digit zip code to further reduce the price of postage. This suggestion was reviewed by the DCS, Information Management, however, was not recommended for adoption due to the fact that it proposes a procedure which is already in use.

a. Outgoing official mail is consolidated by military installation and/or government agency, i.e., Defense Investigative Service, ARPERCEN.

(1) The USASOC Metering Room is the central collection and retaining location for all consolidated mail services. Consolidated mail is processed twice a week (Wednesday and Friday).

(2) No mail or document is maintained more than two working days. Mail consolidation provides the command with an annual savings of approximately \$20,000 per year.

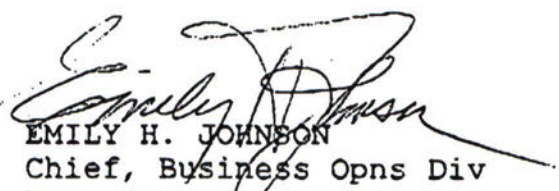
b. The 200 piece minimum refers to Third Class bulk mail. All mail in this category must belong to the same processing group, i.e., all letters must be the same size and weight, and/or flats must not exceed 15" long, 12" high, 3/4" thick. In addition, bulk-rate mail is not forwarded to the recipient if addressee information is incorrect. A bulk rate permit was purchased for the command in 1992, however, this procedure is not cost-effective due to the 200 piece minimum requirement.

AOFI-RM-BOD

SUBJECT: Evaluation of Army Ideas for Excellence Program (AIEP)
Suggestion #SPBG960008, Reduction of Organization Mailing Cost

2. Questions should be directed to Deborah K. Blake, USASOC Army
Ideas for Excellence Coordinator, 2-3392.

Encl



EMILY H. JOHNSON
Chief, Business Opns Div
DCS, Resource Management

UNIVERSITY OF
Miami



University of Colorado

Office of the President
Campus Box 35
Boulder, Colorado 80309-0035

North Carolina State University

Office of the Chancellor
Box 7001, Raleigh, NC 27695-7001

DEPARTMENT OF THE TREASURY
1500 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20220
OFFICIAL BUSINESS

OPC
Rm 2124 MT

Mr. Daniel J. Barnak
6973 Candlewood Drive
Fayetteville, NC 28314-1605

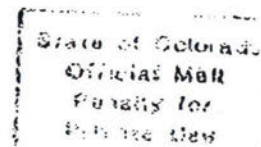
PRESORTED
FIRST CLASS



PM
METER
7153970



160630

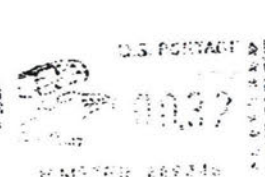
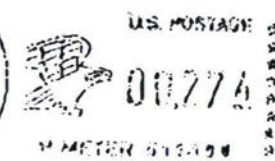


RECEIVED
MAR 17 1998

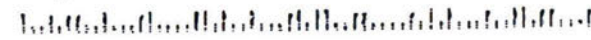


5-1-96000

PRESORTED
FIRST CLASS



5-19-1997 11:02AM FROM USAJFKWCS-RCD 91043253/2



UNIVERSITY OF
Miami



University of Colorado

Office of the President
Campus Box 35
Boulder, Colorado 80309-0035

North Carolina State University

Office of the Chancellor
Box 7001, Raleigh, NC 27695-7001

Sender

DAV *H 283*
U.S. DEPARTMENT OF COMMERCE
Chief Financial Officer and Assistant Secretary
Washington, D.C. 20230

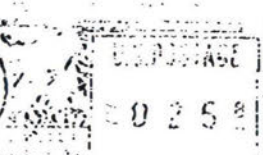
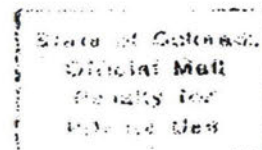
OFFICIAL BUSINESS

PRESORTED
FIRST CLASS

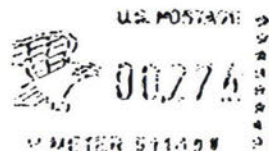


160630

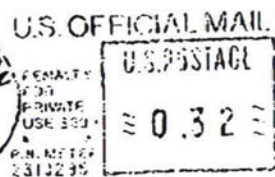
5-1-96 020



PRESORTED
FIRST CLASS



58



Mr. Daniel J. Barnak
6973 Candlewood Drive

5-19-1997 11:03AM

FROM USAJFKSWCS-RCD 9104325372

P. 5

5/19/97

Jim -

Need a good
reply to this
for BC

5/19/97



'97 MAY 19 PM 4:34

May 19, 1997

Honorable William
President
The White House

Dear Mr. President:

Last December, I advised Ambassador Barshefsky that I intended to leave USTR after the first few months of 1997. I told Charlene that during the post-election period, when Nancy and I had thought about what might come next, we had concluded that the next challenge should probably be for me to pay my daughter's college tuition (Stanford!), and spend more time with my son, who is in ninth grade. Accordingly, I will be leaving the Administration next month to practice law in Washington.

The decision to leave did not come easily. Words cannot convey how much the past four and one half years have meant to me. Almost thirty years ago, I decided on a career in politics, government and public policy. I pursued that career mainly by working in the Senate: first, as a summer intern, starting the day after I graduated college in 1969; and then, after graduate school and law school, for twelve years, from 1975 through 1987. But it had been a life goal of mine to play a significant role in a Democratic Administration, and despite the losing campaigns of 1980, 1984, and 1988, I never gave up on the notion we would actually have one again!

What I did not, and could not, envision was exactly just how challenging, fulfilling and enthralling serving in the Administration would be. I could not have anticipated playing a important role in completing NAFTA and the Uruguay Round, and convincing Congress to implement them, and then helping to negotiate a series of major agreements with Japan and Canada. I have been extremely fortunate to have been at USTR at precisely the time when globalization and your leadership made trade policy so central for the country. I will always be grateful to you, Mickey and Charlene for the opportunities to serve that I have had.

While I undoubtedly would have appreciated the chance to work in any Democratic Administration, yours has been special to me. As you know, quite a few of us in the Administration are members of the classes of '68 or '69---contemporaries of you, the First Lady and the Vice President. Justice Oliver Wendell Holmes once wrote of those who had come of age

during the Civil War, " in our youth, to our great, good fortune, our hearts were touched by fire." Similarly, it matters a great deal that many of us are products of the same tumultuous events, went into government and politics for the same reasons, and fought many of the same battles over the years, starting with the McCarthy, Kennedy and McGovern campaigns. You've given our generation the chance to redeem our commitment; with your leadership, we've started facing the problems and bringing the country back; the long period of neglect and denial has ended.

Thank you again for the opportunity to serve.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ira S. Shapiro', written in a cursive style.

Ira S. Shapiro

5-19-97

Sunday
The
Bunting
PK

Agence France-Press

As bombed-out buildings around Brcko illustrate, civilian administrators have been unable to rebuild the multi-ethnic society destroyed by war.

For Bosnia, Peace Is Coming Up Empty-Handed

By CHRIS HEDGES

BRCKO, Bosnia and Herzegovina — Robert W. Farrand, the American diplomat who is this town's international supervisor under the Balkan peace accord, sat in his new office overlooking the Sava River recently talking about peace, brotherly love and tolerance. Down the street, at an outdoor rally to celebrate the Serbian Orthodox patron saint of the town, Bosnian Serb leaders issued calls for vengeance, war and annihilation.

The civilian administrators who arrived in Bosnia after the signing of the Dayton peace agreement in December 1995 were supposed to cajole local communities into rebuilding a multi-ethnic society obliterated by war. But the starkly different visions proffered by Mr. Farrand and the Bosnian Serb leadership here highlighted what many now see as the failure of the international diplomats to move the Bosnian Serbs, Croats and Muslims one inch forward. And scenes like the outdoor rally have left NATO commanders, who successfully established a cease-fire and now patrol boundary lines with some 30,000 troops, in despair.

"It would be a mistake to say there is peace in Bosnia," said a top NATO commander, who spoke on condition of anonymity. "We have only the absence of war. We gave the civilian officials the time and space to carry out the Dayton agreement, but they failed. Nothing has been accomplished. The moment we pack up and leave next year the war could well start all over again."

Mr. Farrand, a 31-year veteran of the State Department who was appointed to administer the disputed town of Brcko (pronounced BURCH-ko) earlier this year, is typical of the small army of diplomats, bureaucrats and aid workers who descended on Bosnia with lofty goals but little idea of how to carry them out.

Mr. Farrand was appointed by the chief international civilian administrator for Bosnia, Carl Bildt of Sweden, to supervise Brcko until its fate is decided by international arbitra-



The New York Times

In the town of Brcko, the Dayton accord has not brought peace.

tors sometime before next March. But he has no money to carry out reconstruction programs. He cannot force the Serbs to accept the return of the 20,000 Muslims driven from the town at the start of the war, and he has no technical staff to jump-start the furniture, shoe and palm oil factories that limp along at about 10 percent of prewar capacity.

When a senior member of Mr. Farrand's staff was asked what tools were available to the office to push through the demands of the Dayton accord, he answered, "Our wit."

Mr. Farrand said: "It is the responsibility of the entities here to meet their commitments under the Dayton agreement. I can only encourage them to fulfill these commitments."

Many civilian administrators, while acknowledging their failures, say the refusal by NATO leaders to arrest people indicted on charges of war crimes or to protect refugees who want to return, has left them without the coercive power to make the parties respect the peace agree-

ment, which calls for all refugees to be allowed to go home. They also fault international-aid donors for refusing to provide adequate money and help to build a viable economy.

The World Bank has spent only one-third of the \$1.8 billion it raised for Bosnia because of the failure by all sides to make economic reforms that the bank says are needed to insure responsible use of the money. And contributions to international relief agencies have plummeted because of "donor fatigue."

Brcko, a dilapidated collection of houses with terra-cotta roofs and boxy concrete apartment buildings on the banks of the Sava River, is in the three-mile-wide corridor that links the two parts of Serb-held Bosnia. If Brcko is handed to the Muslims, the Serbian entity in Bosnia created under the peace agreement will be cut in two. The Muslims, who made up 55 percent of the town before the war, want Brcko to gain access to the river traffic along the Sava, linking them to trade routes.

Each side in the conflict — both the Serbs and the Muslims argued so bitterly over Brcko that its fate could not be decided at the peace talks — has threatened to go to war again if the arbitration does not go its way.

The town is patrolled by American soldiers, who guard both ends of the bridge linking Brcko to Croatia across the river. The bridge is closed to civilians.

American troops, sweating under the weight of helmets and green flak jackets, moved slowly past a park along the riverbank the other day. Before the war, the park was the site of one of the town's three mosques. The building was dynamited into rubble in 1992, and the local Serbs removed every stone to obliterate any trace of the structure.

The Muslims fled at the start of the fighting to territory under their control, south of the town. Many now live in poor conditions just a few miles from their old homes. When a group of about 100 Muslims from Brcko arrived in buses in front of Mr. Farrand's office on May 1 to protest,

seeking the return of their homes, jeering Serbs attacked them with bricks, stones and bottles.

"To destroy the mosques was not to destroy cultural monuments because Muslims have no culture," said Anica Savic, the local correspondent for Tanyug, the Serb-run Yugoslav news agency. "They are Serbs who were converted by the Turks during the occupation because they were weak. We just published a book of 200 years of Serb journalism. The Muslims couldn't fill a book with even two years' worth of journalism."

The rally for the Serbian patron saint, which took place under a cloudless sky and bright sun, was yet another opportunity for the Bosnian Serb leaders to display their disdain for the Dayton accords. Florid poems were read calling on all Serbs to hold back the "Muslim hordes" that threatened Serb freedom. Serbian folk singers performed, and military leaders vowed to defy any decision against them by the arbitration.

It is hard to believe that fighting could start again after a war that destroyed over 60 percent of all homes in Bosnia, wiped out most factories and businesses, created a million refugees and plunged tens of thousands of families into destitution and unspeakable grief.

But the stagnation, poverty and hopelessness that infect Bosnia, coupled with the hatreds whipped up by the savage fighting, leave many young people ready to pick up guns again. After 18 months, peace has not offered them much. Brcko is filled with destitute Serbs displaced from other parts of Bosnia. The war, in the end, gave many young men a purpose, a sense of self-worth and the intoxication of power.

Jakob Pejic, 32, a former Bosnian Serb soldier, and his friend Savo Markovic, 18, sat blinking into the bright sunlight not far from the rally. They said they had no work and little money.

"We just wait for the war to start again," said Mr. Pejic. "It's what the Muslims want."

Copied
Berger
cos

Opening Ni

From Tiffany's extraordinary collection "Deco" bracelet of brilliant-cut diamonds set in platinum.

TIFFANY

NEW YORK FIFTH AVENUE AND 57TH
RIVERSIDE SQUARE HACKEN-
THE MALL AT SHORT HILLS 201-467-3600 • T

Mc
Design
SPORTSWEAR
SALE
25% TO 30%

On Two and Six in

Also in Garden City, Riverside

Southampton, Stamford

and SFA stores in

*Selected styles only. Reduction
intermediate markdowns may have been
No adjustments to price

SALE
FIFTY
AVENUE

Prescriptives Custom Blend

THE WHITE HOUSE
WASHINGTON

DATE: May 16, 1997

NOTE FOR:  Brian Greenspun

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

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

Brian Greenspun
Las Vegas Sun
800 South Valley View Blvd.
Las Vegas, NV 89107



THE WHITE HOUSE

WASHINGTON

5/14/97

Dear Mike —

Brian sent me your article on the
FDR Memorial. Since I have so much respect
for your opinion & thought & should answer.
Actually my public position on the matter
came because, after a couple of years of controversy,
I was finally asked about it in a press
conference — for a long time I didn't say
anything because the Commission had the
final say and seemed set on its position.

My view is noted in what I think FDR
would say and why. Your view is clearly more
accurate if the text is what he would have wanted
or presented then. But he was a man in
constant forward progress, moving as the times
and circumstances would permit. I think today
he would say — "time has passed; things have
changed; I want a visible powerful statement
especially to young disabled Americans that
they can overcome a lot with courage,
resilience, imagination. Let's move on!"

- 2 -

I may be wrong, but that's how
I saw it — As always, I respect your
view and the cause and strength with
which you advance it.

Sincerely,

Bill Clinton

5-1-97

WHERE I STAND

Clinton jumps into middle of FDR memorial

A FEW WEEKS on crutches after falling down some stairs prior to a golf game might have given some insight to President Bill Clinton. I wish I could believe this.

A couple of weeks ago, after extreme pressure from very vocal advocates for the disabled, he has promised to add a statue at the Franklin D. Roosevelt memorial which will show the former president in a wheelchair. He did this following the threat they would disrupt the opening tomorrow. Americans are witnessing Clinton responding to the loudest voices. His own crutches



MIKE O'CALLAGHAN

have nothing to do with his involvement, it's pure politics.

What's disturbing to me is that Clinton is treating Sen. Daniel Inouye, D-Hawaii, as a waterboy to carry his proposed new statue legislation through Congress. This is the same senator who lost his arm in World War II as a heroic infantry combat leader in Europe. Yes, this is also the same Inouye who served on the FDR Memorial Commission and defended the construction of the memorial which will be dedicated tomorrow. Last year when the disability groups demanded that a statue show him in a wheelchair or on crutches, Inouye wrote in the Washington Post: "Of the 10 sculptures in the memorial, three depict the public persons of FDR as president, commander-in-chief and world leader. These FDR sculptures were inspired by

real-life situations. He actually appeared in a wheelchair. Of course, the way he presented himself.

"We know from Eleanor Roosevelt both of whom at the White House, a person who could matter. They both of the memorial. Another grand B. Roosevelt, I commission sir

SEE WHERE,

GROUPS GATHER TO CELEBRATE ELLEN'S DECISION

l argument

s, and they show the president as
red at the time, seated, without
crutches present. This is, of
DR deliberately and painstakingly
f to the public.

n FDR's two eldest grandchildren,
t Seagraves and Curtis Roosevelt,
ed for several years in the Roosevelt
at FDR was an intensely private
dered his disability a very private
h confirm the historical accuracy
s portrayal of their grandfather.
n of Franklin and Eleanor, David
s been an active member of the
1992."

If the protesters had been complaining about the memorial being difficult to visit, they would have had a legitimate complaint. Inouye, in his column, made clear this wasn't the case when writing, "In compliance with the spirit and the letter of the Americans with Disabilities Act, the FDR memorial was designed, from the beginning, with the disabled in mind. This is the first memorial in Washington purposely designed to be totally wheelchair accessible, with many areas for rest and contemplation. Also, a major bas-relief sculpture, titled 'Social Programs,' includes 54 detailed images, each with braille for the sight-impaired."

In addition to this, the visitors' center at the memorial site between the Potomac River and Tidal Basin will display Roosevelt's kitchen chair with wheels and a photograph of him in a wheelchair. Also carved in granite are the major events of the president's life, including "1921 - stricken with poliomyelitis - he never again walked unaided." The three statues of him will have him sitting.

The Roosevelt grandchildren are split over how their grandfather is to be honored. David Roosevelt, a member of the Memorial Commission, recently told the New York

commission consider 'hiding' FDR's disability. His disability will be depicted for all to see, but it will not - and in my opinion, should not - be the primary focus of the memorial."

Maria Echaveste, speaking for the White House, said the president's action reflects his belief that FDR, a forward-looking man, would want the world to know that he overcame great disabilities to lead our nation. Then Clinton's spokesperson added, "Whatever Roosevelt's efforts to hide his disability, that was a different time, a different reality." So the memorial isn't to recall a great leader during a time of world turmoil but rather it's supposed to depict him in a manner some people want us to remember him 52 years later during this era of political correctness. And I thought it was only Germany and Japan that have tried to revise the history of their roles during World War II.

As I have written before, when he was alive, he hid his physical disability because he was afraid it might distract people from listening to his message. This was his personal decision, and the media of that era honored his desires. Why can't we continue to respect his feelings in any monument built in his memory? We are building it to honor a great American, not to promote him

Clinton's political decision doesn't surprise me but his use of Dan Inouye disappoints me.

as a poster model showing how the physically disabled can overcome everyday challenges.

FDR overcame his disability his way, so I have to believe the decent way to honor this man is to do it in the way fellow Americans remember him and how he wanted us to see him. He certainly earned this simple consideration.

Clinton's political decision doesn't surprise me but his use of Dan Inouye disappoints me.

The peddlers of modern-day political correctness have already made certain that FDR isn't shown with his famous lighted cigarette in a holder clenched in his teeth. That's right, and his wife Eleanor is shown wearing her cloth coat without the fox fur collar we watched her wear so many years ago before the anti-fur group became powerful. I guess Clinton and the disability advocates might just as well complete the farce and have one of the greatest leaders of this century shown in a way few of us saw him as our president during the 1930s and 1940s.

More important, we will be showing him in a way he didn't

he's dead and can be shown the way the loud voices of advocacy groups in the 1990s want him depicted. Despite what we know about the man's personal courage, some of the advocates for the disabled want us to believe that FDR was only great because he suffered the crippling effects of polio. This is pure speculation and loaded with political and advocacy nonsense of the 1990s.

MIKE O'CALLAGHAN, a former two-term governor of Nevada, is executive editor of the Las Vegas SUN.

5-16-97

GOP Congress, Democratic President Wage Third-Branch War (Washn) By Robert Shogan (c) 1997, Los Angeles Times

WASHINGTON The two parties may have reached a temporary budget truce, but the inherent tensions between a Republican Congress and Democratic president are spilling over into a power struggle focusing on the government's third branch the federal judiciary.

Mobilized by a determination to stamp out what they call "judicial activism," Senate Republicans last month vowed to keep anyone who fits under that hazy and controversial rubric from getting on the federal bench. To prove their point, they have been subjecting President Clinton's judicial nominees to painstaking scrutiny, resulting in lengthy delays on confirmation votes.

And in the House this week, GOP lawmakers are unveiling proposals for limiting judicial power and disciplining misbehaving judicial activists already on the court, including even the ultimate weapon of impeachment.

For their part, Democrats contend the GOP offensive threatens to undercut the president's constitutional authority to select federal judges and the independence of the federal judiciary. Vermont Sen. Patrick J. Leahy, ranking Democrat on the Judiciary Committee, on Wednesday accused Republicans of "court bashing" in a Senate speech.

Pointing to the nearly 100 vacancies among the roughly 800 posts on the federal bench, Leahy charged the GOP with creating a judicial "crisis."

At stake in this escalating struggle is the ideological thrust of the courts entering the 21st century. Clinton, who already has selected 202 judges, is expected to pick at least that many more. Ultimately, some of their rulings could have more enduring impact than anything accomplished by the White House or on Capitol Hill.

The conflict over the courts is another symptom of what political scientist Benjamin Ginsberg of Johns Hopkins University labels the era of "post-electoral politics." This finds both parties, unable to gain a governing majority at the polls, seeking to gain an advantage through such weapons as congressional investigations and nomination fights.

On the judicial front, Republicans have no trouble explaining what they are against. "A judicial activist is someone who makes the laws and usurps the power of the other two branches," said Sen. Orrin G. Hatch, R-Utah, Judiciary Committee chairman.

They complain about last year's decision by San Francisco-based federal Judge Thelton E. Henderson blocking the California initiative to end state affirmative action programs a decision subsequently overruled and a ruling by Texas federal Judge Fred Biery indefinitely postponing the swearing-in of GOP officeholders because of his finding that illegal absentee ballots had been cast last fall.

To prevent such decisions, Republicans are giving Clinton judicial nominees a rigorous going-over. "The people have a right to know whether we are going to confront another judge who may attempt to overturn another initiative that a majority of people voted for," Sen. Charles E. Grassley, R-Iowa, said recently.

And to clip the wings of over-active judges, House Judiciary Chairman Henry J. Hyde, R-Ill., this week pressed legislation to require three-judge panels rather than a single jurist to hear constitutional challenges to state referendums and prohibit federal courts from imposing taxes to enforce decisions.

But what Republicans see as judicial activism, Democrats often defend as protection of constitutional rights. And in testimony Wednesday to a House Judiciary subcommittee, Rep. Melvin L. Watts, D-N.C., noted that it's not just "liberal" rulings that can cause grievances about judges.

Judicial activism "is standing up in court as a lawyer and having the judge call you a n-----," Watts told the panel, and indignity he said in an interview he endured "more than once" during his legal career.

And in the midst of their offensive, Republicans heard a cautionary admonition from one of their own. "I think it's time for conservatives to understand that their nominee for president did not win," Hatch said last week.

Congressional Black Caucus Unveils Agenda (Washn) By Heather Knight (c) 1997, Los Angeles Times

WASHINGTON The Congressional Black Caucus introduced Thursday

a new legislative agenda that targets the war against drugs, offering proposals to strengthen rehabilitation programs, expand the court system and increase anti-drug education efforts.

The caucus, chaired by Rep. Maxine Waters, D-Calif., also unveiled measures to exempt grandmothers and other caregivers from welfare reform, build computer centers in low-income communities, reduce capital gains taxes for small businesses and help rebuild schools.

The new agenda is a marked departure from the black caucus' traditional demands for big government spending programs, reflecting the predominately liberal and Democratic group's need to work with a conservative, GOP-led Congress and its desire to reflect the concerns of members' constituents.

"In listening to our constituents, we have to always be on top of their beliefs," Waters said. "Our communities are devastated by drugs and we're tired of sitting here watching failing programs like 'Just Say No.'"

The caucus has discussed its agenda with leaders of both parties, including Vice President Al Gore and House Speaker Newt Gingrich, R-Ga., and said it remains optimistic about the passage of its proposals.

"We have no permanent friends. We have no permanent enemies. We have permanent interests," said one caucus member, reciting the group's motto.

The group's legislative package contains 11 bills, with seven of them aimed at curbing drug abuse. The anti-drug legislation would give an additional \$300 million to rehabilitation programs in at-risk areas; create a radio and billboard anti-drug campaign in low-income communities; expand drug courts that prosecute first-time or small-time drug offenders, and thus reduce the burden on other courts; fund drug treatment in prisons; teach developing countries how to grow crops other than coca; and establish a Justice Department program to monitor the confiscation and disposal of drugs by local police departments.

Other proposals include exempting grandparents and other family caregivers from the work requirement contained in the welfare reform law; creating a small business development fund to assist women- and minority-owned businesses; awarding grants to non-profits to build community computer centers; and giving grants to public school districts to improve their buildings.

The caucus emphasized that these initiatives would not put any strain on the proposed budget deal because they fit within the funds allotted for the caucus and President Clinton's anti-drug efforts.

The caucus said these proposals will benefit all Americans, regardless of race, and focus attention on issues most important to citizens.

"These are family and pocket-book issues that are of real concern," said Rep. Sheila Lee, D-Texas. "So far, the 105th Congress has yet to get down to carrying out the business of the people."

copied
Lindsey
Ruff
Radd
Yarowsky
COS

BR
1/2
R

5-19-97

THE WHITE HOUSE

WASHINGTON

May 17, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ⁷⁸¹

SUBJECT: Fast Track Timing

Copied
 Berger
 Sperling
 Tarullo
 USC WW Desk
 COS

Podesta
 Matthews
 Radd

The attached Berger/Sperling/Tarullo memo concerns the timing of a push to get fast track legislation. Such legislation will entail a real fight, particularly over whether labor and environmental provisions should be included in trade agreements. Amb. Barshefsky envisions a compromise bill neither requiring nor excluding such provisions, together with a public announcement that we will seek labor and environmental side agreements when appropriate. **The issue for your decision now is timing. Your advisors are divided among three options.**

Option 1 — Start now. USTR would float a proposal soon with aim to have bill reported by Committee in early summer, on House floor before August recess, and on Senate floor in fall or early 1998. **Rationale:** Delay gives our opponents more time to gear up against us. If we delay now and unexpected problems arise in September (e.g., taxes), we'll be pushed into early 1998 and lose chance for fast track altogether. Also, you have momentum now from Chemical Weapons, NATO-Russia and budget. *NSC favors, though would take Option 3 as fall back.*

Option 2 — Wait until September. Announce now that we are delaying so as to deal with budget and China-MFN first, and seek support of House leaders for proceeding with fast track in September. **Rationale:** Given budget and China-MFN (debate likely in June/July), moving on fast track now would badly strain our resources and your time. Also risk losing some Democrats if we force three tough votes in rapid succession on budget, China-MFN and fast track. And public debate on China-MFN and fast track at same time could cause discrete opponents to coalesce against alleged threat to U.S. jobs and wages. If House acted in September, seek Senate action pre-Santiago trip in March 1998. *State, NEC, OMB, CEQ, Hilley, Rahm favor.*

Option 3 — Seek leadership agreement to move fast track in September; if that fails, start now. We would seek formal agreement by key Congressional leaders now that they would move fast track legislation in September. **Rationale:** Try to avoid pitfalls of Option 1 (straining resources, etc.), while avoiding uncertainties of Option 2 (the chance that fast track gets preempted by other problems in September). But if securing Congressional agreement now is not possible, we'd go forward in June on basis that waiting past September is untenable. *USTR and Labor favor.*

Sec. Rubin believes further analysis is needed on degree to which fast track would interfere with China-MFN and on likelihood of securing the congressional agreement referenced in Option 3.

Option 1 ☐Option 2 ☐Option 3 ☐Discuss/meet further ☐

Handwritten notes:
 I think can
 get agreement
 if we
 get
 the
 timing
 to
 be
 correct
 if
 we
 can
 get
 the
 timing
 to
 be
 correct

5-19-97

THE WHITE HOUSE

WASHINGTON

May 16, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Samuel Berger *Sub by DT*
Gene Sperling *by DT*
Daniel Tarullo *DT*

SUBJECT: Timing of Fast Track Effort

In our memorandum on this subject last month, we suggested reconsideration of the timetable for fast track following clarification of the balanced budget situation. With the budget agreement reached, we must now decide when to begin a major push to obtain fast track legislation. This memo presents the options.

BACKGROUND

Following your speech to the Newspaper Editors on April 11, in which you renewed your call for fast track authority and suggested we would search for a compromise on the nettlesome labor and environment issues, we have consulted widely on the Hill. Charlene has now met with nearly one hundred members, either one-on-one or in groups. Other senior officials are making calls to Members. These consultations have generally confirmed our perception of sharp divisions on the labor and environment issues. To move forward, we will have to offer a proposal on these issues, a step which will likely set off potentially contentious Congressional and public debates.

Chairman Archer believes there is a window for both Ways & Means Committee and House floor action during the May-early June period, before heavy budget activity begins anew, and that further delay will make obtaining fast track extraordinarily difficult. While further delay undoubtedly has at least some negative effect on fast track, Archer's view that he can move fast track quickly through the House may well be too optimistic. Acquiring significant (80-90 votes) Democratic support will, at best, entail extensive discussions/negotiations on the labor and environment issues. Even some moderate Democrats have recently suggested they will insist that labor and environmental provisions be included in trade agreements. This latter position may be a tactical starting point to counter the position of some Republicans, such as Rep. Dreier, who oppose even side agreements on labor and the environment, but it does indicate the degree of difficulty in moving forward. In addition, any fast track bill, like its predecessors in previous Congresses, is likely to attract other provisions, such as changes in the trade law.

As you recall, the compromise Charlene envisions would include a "clean" fast track bill that

does not either require or exclude labor and environmental provisions from trade agreements. We would publicly indicate that we would seek labor and environmental side agreements when appropriate in connection with bilateral or regional free trade agreements, but we would not include those provisions in the free trade agreements submitted for fast track consideration by the Congress. Archer seems open to this approach, though hardly enthusiastic about it.

Archer wanted to mark up a bill this week or next, and then move quickly to the floor. Even Democrats who strongly support fast-track, such as Representative Matsui, are opposed to the Republican effort, on grounds of both process (no consultation with Democrats on this approach, which was announced only a few days ago) and the substance of the Republican proposal. It is clear that Archer is trying to force a decision on timing and substance from the Administration. In addition, those Republicans who favor moving rapidly now may be motivated in part by a desire to sharpen divisions within the Democratic Party in the wake of the budget agreement by forcing us to take a position on a Republican crafted fast track bill. In the absence of support from Democrats on the Committee and from the Administration, Archer did not proceed with his mark-up. However, he did send a letter to you, saying that because the Administration's failure to offer a specific fast-track proposal "dictate that discussion on renewal of fast track authority be set aside."

OPTIONS

All your advisors recognize the pitfalls of delaying a strong push for fast track or moving forward immediately. Many of those who have taken a position would regard this choice as a close call.

Option 1: Begin Legislative Process Now

Under this approach, Charlene would in the very near future float a proposal along the lines indicated above with Archer, Rangel, and a few others, with the goal of reaching a bipartisan compromise on labor and the environment (although significant Democratic opposition would likely remain). We would try to have the bill reported out of committee in the early summer and bring that bill to the House floor prior to the August recess. Then we would try to secure Senate passage later in the fall or early next year.

This approach rests on the proposition that trade is a legacy issue for you, and must be accorded the highest possible priority. Passage will be difficult, but starting now increases chances of real progress this year, and thereby maximizes the possibility of your securing fast track authority for your second term. Because there will always be other important demands on your time and Administration resources, we will never have an unimpeded shot at fast track. The longer we wait, the more opportunity the AFL and other fast track opponents have to gear up their campaign. Indeed, since September is probably the last realistic chance to move fast track, delay means that an unexpected set of problems in September (on taxes, e.g.) could preclude the last

window for action.

Moving ahead immediately also removes any questions about the Administration's commitment to fast track and an activist trade policy, and increases the chances that there will have been movement on fast track before your October trip to Latin America.

Another argument for this approach is that the Chemical Weapons Convention, NATO-Russia, and the budget agreement successes create both the impression and reality of momentum in your second term that could be lost if we defer important issues like fast track. China MFN and fast track can be fought simultaneously, albeit with some strains on our resources, under the broader theme of asserting global leadership. The possible trade-off between China MFN and fast track (arising from the comments of some Democrats that they can give us a vote on one, but not both) will exist whenever we act. Besides, moving forward now maintains at least a chance that the harder fast track vote will occur before the China MFN vote.

Option 2: Delay Legislative Push Until September

Under this approach we would forthrightly indicate that we will delay moving forward with fast track until September, in order to deal first with the major issues of the remaining budget work and China MFN renewal. We would inform key Congressional leaders of our decision and attempt to obtain their support for proceeding rapidly with fast track in September. We would continue efforts to build support for fast track with Members and important constituencies through the summer.

The core rationale for this view is that the combined political and resource effects of moving ahead with fast track now will have negative consequences for China MFN and the budget, as well as fast track. Statutory deadlines mean that the China MFN debate will almost certainly occur in June and July, with a vote on renewal (and on any alternatives thereto) prior to the August recess. Following your announcement in late May or early June of your intention to renew MFN there will be a flurry of activity and attention, which will intensify after Hong Kong's reversion to China on July 1. Implementation work on the budget agreement will likely be most concentrated during this same period. Thus moving ahead immediately would badly overtax Administration resources, including your own time. There is also continuing concern about the negative symbiosis among Democrats, and our relations with them, of hard votes on the budget, China MFN, and fast track in close proximity: Democrats who have to cast these votes in relatively quick succession in the summer will be more likely to vote "no" in at least one case.

Those arguing for the September time frame for fast track note that the China MFN vote *must* proceed during the summer, and any unnecessary risks to winning that vote should be avoided. By launching the public debate on fast track now, we may unintentionally cause discrete opposition to both China MFN and fast track to coalesce into a stronger reaction against what opponents could portray as related threats to jobs and wages in America.

Proponents of this view acknowledge that delay will have costs for fast track, but still believe that we can pursue House action in the fall, then use your March 1998 trip to Santiago to press for Senate action early next year. They believe that indicating a specific time for pushing ahead with fast track will blunt, though perhaps not eliminate, criticism that we have not been sufficiently committed to fast track.

Option 3: Obtain Leadership Agreement to Move Fast Track in September

Under this approach we would attempt to obtain now the agreement of the key Congressional leaders that we will proceed together with fast track in September and finish work on the bill by the end of the year. If we obtain their agreement, we would use the time between now and September to prepare internally, continue Hill consultations, and work with supportive constituencies.

In the view of its advocates, Option 3 best balances the factors which lead some to favor delay with the factors that argue for going ahead as quickly as possible. They acknowledge the resources and political problems entailed with going forward in June, as described under Option 2. However, they believe that delay until September without a firm commitment to move may well be tantamount to losing fast track completely. There is too high a likelihood of other legislative issues arising which provide reasons not to proceed with fast track quickly in the fall (e.g., action on the tax bill is delayed until September). By relatively early next year any momentum for fast track will have been lost and the mid-term election season will have begun.

RECOMMENDATION

This is, as indicated earlier, a close call, and your advisers are split. (Secretary Rubin has not indicated a position, because he believes that further analysis is needed on the amount of interference with China MFN that fast track would entail and on prospects for agreement among key Congressional leaders. He would prefer that this additional analysis be done before you decide among these options.)

Option 1 -- making a decision now to move ahead in early June -- is preferred by NSC (although Sandy indicates he accepts Option 3).

Option 2 -- delaying a legislative push until September -- is recommended by State, OMB, Legislative Affairs, CEQ, NEC/Sperling and NEC/Tarullo

Option 3 -- attempting to obtain leadership agreement to move fast track in September but otherwise moving in June -- is recommended by USTR and Labor

Option 1 _____ Option 2 _____ Option 3 _____ Discuss _____

cc: Vice President
Chief of Staff

In Honor of Jody Little
August 7, 1996
Placentia B.C., California
- Diane, Cassie, Keith & Kelly
Little

THE PRESIDENT HAS SEEN

5-16-97

1 copy
COS

Todd,
I will send to Jim once
you have seen.

C.

Amn't his family
at Memorial —
~~His wife~~ very moving
commented
His 30 min letter

JIM DORSKIND:
Please coordinate
the reply.

Fly a "Blue Ribbon"



In honor of "National Police Week" and May 15th, National Peace Officers Memorial Day".

Fly a Blue Ribbon in recognition of the service given by the men and women who, night and day, stand guard in our midst to protect us through enforcement of our laws.

Fly a Blue Ribbon as a symbol of the "Thin Blue Line" of law enforcement.

Fly a Blue Ribbon in recognition of the Federal, State, and municipal officers who have been killed or disabled in the line of duty. And for their surviving families who have paid the ultimate price for freedom.

"Project Blue Ribbon" is sponsored by the Fraternal Order of Police Grand Lodge Auxiliary.

THE PRESIDENT HAS SEEN
5-19-97

197 409 180-810

Got you speech

5/16/97 8pm

**PRESIDENT WILLIAM J. CLINTON
COMMENCEMENT ADDRESS ON SCIENCE IN THE 21st CENTURY
MORGAN STATE UNIVERSITY
BALTIMORE, MARYLAND
MAY 18, 1997**

Acknowledgments: Dr. Earl Richardson, President; Judge Harry Cole, board chair; Governor Glendening; Mayor Schmoke; elected officials – including city council, which voted to ban cigarette billboards near schools; Reps. Elijah Cummings, Ben Cardin; Sens. Sarbanes, Mikulski; Board of Regents; Faculty and staff; distinguished alumni: Judge Cole; Judge Robert Bell, Chief Judge of Maryland's highest court; Kweisi Mfume; Earl Graves; Richard Dixon, State Treasurer; Terry Edmonds, White House staff, *CLM d42*

I am pleased to deliver my first commencement address at an Historically Black University. In our past, when the doors of colleges were closed to all but white students, Morgan State and the nation's other HBCUs gave young African Americans the education they deserved and the pride they needed to rise above cruelty and bigotry. In our present, HBCUs produce the lion's share of our black doctors, judges, and businesspeople – and Morgan State graduates most of the black scientists and engineers in Maryland. And in our future, I am certain that HBCUs will play an even greater role in moving our country forward.

But, Morgan State is not just a great Historically Black University -- Morgan State is a great American university. You have produced some of this country's finest leaders. Not just the African American community, but our entire American community would be diminished

*copied
Capps
LOS*

without great Morgan grads like Parren Mitchell, Kweisi Mfume and Earl Graves. The halls of justice would be diminished without great judicial leaders like Judge Bell and Judge Cole. And without Morgan, I would never have had the good fortune to work with Terry Edmonds who, remarkably, is the first African American ever to serve as a presidential speechwriter.

~~And~~ if you graduate today into a world brimming with promise ~~and rich with opportunity.~~

America's economy is the strongest in a generation; unemployment is the lowest in 24 years; and

we have seen the largest decline in income inequality since the 1960s. ~~But as I said in my State of the Union Address, the enemy of our time is inaction. We must use this moment of great hope and prosperity to prepare our people for the challenges of the 21st Century.~~
Get what the time is rich w/ promise, promise as always must be kept. It can never be taken for granted. Thus, at all times, ourselves & our nation.

on We
~~In recent days, we have been given new reason for hope.~~ On Friday, we finalized the details of an historic agreement I reached with the leaders of Congress to balance the federal budget for the first time in nearly three decades. I insisted that this be a balanced budget that is in balance with our values. Education has always been the heart of opportunity in this country. And it is the embodiment of everything we must do to prepare for the 21st Century. And as this agreement puts our fiscal house in order, it also opens the schoolhouse door wider than ever before. It is the biggest and best education bill in a generation. It will help hundreds of thousands of young people like those who graduate today to reach for their dreams, with the largest increase in Pell Grant scholarships in three decades. It includes \$35 billion in tax relief to help families pay for higher education, including a ~~\$10,000~~ *fracture point 2010* education tax deduction and our HOPE Scholarship tuition tax credits. *banquet tomorrow 6:30 PM. Head of State, 5-6, high school, elementary*

And it does something so strongly urged by Vice President Gore, who has guided me and
— my administration on the issues of science and technology.

~~This balanced budget~~ funds the increase I requested for science and technology in my 1998
budget and reaffirms our long-term commitment in this important area.

Every American deserves the chance that you have been given. And with this balanced
budget, more Americans will have the chance of a world-class education than ever before.

This spring, here and in commencement addresses across the country, I want to focus our
attention on all the things we must do to prepare our country for the next century -- how we must
confront the powerful forces that can pull us apart, or become our greatest strength in the years
ahead. I will discuss our diversity, and how we can make sure that it brings us together rather
than divides us. I will discuss America's continuing obligation to lead the world, especially our
obligation to help build a strong and united Europe in the wake of the Cold War.

And we know that above all else the 21st century, in its texture, in its promise and in its
reality, will be molded by science, shaped by technology, powered by knowledge. These are
potent, transforming forces; they can give us lives fuller and richer than we have ever known; but
they can be used for good or for ill -- and we must master them if we are to make the most of this
new century.

We enter that century propelled by new and stunning developments. In the past year alone, we saw the cloning of Dolly, the sheep. The Hubble Telescope is bringing into focus dark corners of the cosmos never seen before. Innovations in computer technology and communications are creating what Bill Gates calls the world's new "digital nervous system." Cures for our most dread diseases – diabetes, cystic fibrosis -- seem within reach. And last week, we saw a computer named Deep Blue, defeat the world's reigning chess champion. I hope they don't make a computer that can play golf.

The past half century has seen some of mankind's greatest breakthroughs, as we split the atom, spliced genes, created the microchip, explored the heavens. We have struggled to harness forces as powerful as the sun, in an effort to keep them from destroying the planet. Today, at long last, nuclear and computer technology are realizing their greater value as servants of a better life, not masters of a bitter destruction.

If the last 50 years were the age of physics, the next 50 years will be the age of biology. We are now embarking on our most daring exploration ever -- unraveling the mysteries of our inner world and charting new routes to the conquest of disease. And our great challenge will be to harness the power of biology, our increasing knowledge about the cell, the brain and life itself so that we can reap the amazing benefits while avoiding the pitfalls that exist with the very promise of new technology.

We have not, and we must not ever shrink from exploring the frontiers of science and basic knowledge, no matter where they lead us. But as we consider how to use the fruits of that knowledge, we must also never retreat from our commitment to human values, the good of society, and our basic sense of right and wrong. Today let us commit: in the 21st Century, science must serve humanity – never the other way around.

Thurmer

In that new century, America's future, indeed the world's future, will be powerfully influenced by science and technology. Where once nations measured their strength by the size of their armies, ^{+ the power of} their arsenals ~~and their GDPs~~, in the world of the future, it is ^{know - exp know of} science and ^{from} ~~knowledge~~ that will matter most. Fully half the growth in economic productivity over the past half century can be traced to research and technology. But science is about more than material wealth or the acquisition of knowledge; it is about our dreams.

Ours is a nation defined by the great goals we set. Often these goals can seem beyond our reach. But when we reach for that far horizon -- when we imagine our future and strive to realize it -- that is what makes us Americans. We are a restless, questing people. We have always believed, with Thomas Jefferson, that freedom is "the first born daughter of science." And with our willpower, our resources and a great national effort, we have always reached those horizons, and set out for new ones.

Thirty-six years ago, President Kennedy looked to the heavens and proclaimed that the flag of peace and democracy, not war and tyranny must be the first to be planted on the moon.

Today, let us look within and step up to the challenge of our times -- a challenge with consequences far more immediate for the life and death of millions around the world. AIDS will soon overtake tuberculosis and malaria as the leading infectious killer in the world. Even here in this country, where new and effective anti-HIV strategies are available, complacency is not an option. HIV is capable of mutating and becoming resistant to therapies and could well become even more dangerous. Only a truly effective HIV vaccine will totally eliminate the threat of AIDS.

So, let us set a new national goal for this era of science. Today, let us commit ourselves to developing an AIDS vaccine within the next ten years. There are no guarantees; it will take energy, it will take focus; it will demand great effort from our greatest minds. But we have made strides in recent years. It is no longer a question of whether we can develop an AIDS vaccine -- it is a question of when. And if America commits to find an AIDS vaccine, we will do it.

I am prepared to do all I can to make this happen. Our scientists at NIH and at our research universities have been at the forefront of this battle. Today, I am pleased to announce that NIH will establish a new AIDS vaccine research center dedicated to this crusade. At the summit of industrialized nations in Denver next month, I will enlist other nations to join us in a worldwide effort to find a vaccine to stop one of the world's greatest killers. And we will challenge America's pharmaceutical industry, which leads the world in innovative research and development, to work with us and make the successful development of an AIDS vaccine part of its basic mission.

Let us
The 21st Century will be the century of biology. ~~Together, we can~~ make an AIDS vaccine its first great triumph.

This is just one example of the great advances that will be made possible by our focus on science and technology. In this and so many other ways, science will enrich our existence. It is how we will work with other nations to address global climate change. It is how we will break our reliance on limited sources of energy. *That strain on our balance.* It is how we will once again make giant strides to free ourselves and future generations from the tyranny of disease and hunger and ignorance that today enslaves too many around the world.

So today, at the edge of this new century, let us pledge to learn more and do more in the realm of science. But let us also pledge to redouble our vigilance, to make sure that the knowledge of the 21st Century serves our most enduring human values.

Science often moves faster than our ability to understand its implications. Each new discovery, each new breakthrough, can create a new maze of moral and ethical questions. We are only just beginning to figure out how to answer those questions.

The Internet can be a new town square – or it can be a new Tower of Babel. The same computer that can put the Library of Congress at our fingertips, can also be used by purveyors of hate to spread blueprints for bombs. The same knowledge that is developing new life-saving drugs can be used to create poisons of mass destruction. Science can enable us to feed billions

more people in comfort and safety -- or it can spark a nuclear or biological war. And it can do so by accident as well as on purpose.

Science has no soul of its own. It is up to us to determine if it will be used as a force for good or evil.

Let me be clear: We must do nothing to stifle our basic quest for knowledge. Human curiosity is the driving force behind all human discovery. It is a fundamental principle of our democracy. In the last century, the spirit and benefits of scientific inquiry have propelled us from field to factory to cyberspace.

But, how we use the fruits of science and how we apply it to human endeavors is not properly the domain of science alone -- or scientists alone. I believe we must apply the same ethical and moral principles that have guided every great religion, our great democracy, our very sense of right and wrong. We need a great national conversation about these principles. We must decide together how to apply them to the dazzling new discoveries of science. Here is what I think those principles should be.

First, science and its benefits must be directed towards making life better for all Americans, and never just the privileged few. Their opportunities and benefits should be available to all. Lack of money or social status must never be a barrier to the benefits of science and technology. Science that does not move us all forward is science that will hold us all back.

Science must not create a new line of separation between the haves and have nots -- those with and without the tools and understanding to learn technology. In the 21st century, the young person who attends a school that does not have the link to the Internet or the child who does not have access to a computer will be like the ¹⁹18th century child without schoolbooks. That is why we are ensuring that every child in every school, no matter how rich or poor, will have the same access to technology.

We also know that in years past, too often science mirrored the sickness of society at large. Here at one of America's great black universities, let me underscore what I said a few days ago at the White House. We must never allow our citizens to be unwitting guinea pigs in scientific experiments without their consent, that put them at risk -- whether it is the withholding of syphilis treatment from the black men of Tuskegee or the Cold War experiments that subjected some of our citizens to dangerous doses of radiation. We must never go back to those awful days when eugenics and racial stereotyping here and in Europe resulted in discrimination and worse against those judged to be inferior. Our greatness is measured not only in how we do right, but also in how we act when we know we've done the wrong thing; how we confront our mistakes, make our apologies and take action. Together, we must say, never again.

The second principle I believe we should apply is this: none of our discoveries should be used to label or discriminate against any group or individual. Increasing knowledge about the great diversity within the human species must not change the basic belief

upon which our ethics, our government and our society are based: All men are created equal.

Period. End of story.

With stunning speed, scientists are now moving to unlock the secrets of our genetic code. Genetic testing has the potential to identify hidden inherited tendencies toward disease and spur early treatment. But, that information might also be used by insurance companies and others to discriminate against and stigmatize people. We know that in the 1970s some African Americans were denied health care coverage by insurers and jobs by employers because they were identified as sickle cell anemia carriers. We also know that one of the main reasons women refuse genetic testing for susceptibility to breast cancer is their fear that insurance companies may either deny them coverage or raise their rates. No insurer should be able to use genetic data to underwrite or discriminate against any American seeking health insurance. This should not just be a matter of principle, it should be a matter of law. And to that end, I urge Congress to pass bipartisan legislation to prohibit insurance companies from using genetic screening information to determine premium rates or eligibility for health insurance.

Our third principle must be this: Technology should not be used to break down the wall of privacy and autonomy free citizens are guaranteed in a free society.

The right to privacy is one of our most cherished freedoms. As society has grown more complex, and as people have become more interconnected in every way, we have had to try even harder to respect the dignity and autonomy of each individual. Today, when marketers can

follow every aspect of our lives -- from the first phone call we make to the time our security system says we have left the house, to the video camera at the toll booth and the charge slip we leave for lunch -- we cannot afford to forget this most basic lesson. As the Internet reaches to touch every business and every household, and we face the frightening prospect of private information or even medical records instantly being made available to the world, we must develop new protections for privacy to meet this new reality.

And fourth, we must always remember that science is not God. Our deepest truths remain outside the realm of science. We must temper our euphoria over the recent breakthrough in animal cloning with sobering attention to our most cherished concepts of faith and humanity. My own view is that each human life is unique, born of a miracle that reaches beyond laboratory science. I believe we must respect this profound gift and resist the temptation to replicate ourselves. But this is a decision no President should make alone. That is why I have asked our distinguished National Bioethics Advisory Commission, headed by President Harold Shapiro of Princeton, to conduct a thorough review of the legal and ethical issues raised by this new cloning discovery. They will give me their first recommendations within the next few weeks.

These are the principles that should guide us if we are to master the powerful forces of change in the century to come. Science that produces a better life for all and not the few. Science that honors our tradition of equality. Science that respects the privacy of the individual. Science that never confuses faith in technology with faith in God. If we hold fast to these principles, we can make this time of change a moment of dazzling opportunity for all.

In conclusion, let me say this: Science will only serve the values of all Americans, if all Americans are given a chance to participate in science. We cannot move forward without the voices and talents of everyone in this stadium and, especially those graduates who are going on to pursue careers in science and technology. African Americans have always been at the forefront of American science. Nothing -- not slavery, not discrimination, not poverty -- has ever been able to hold back the scientific urge or the creative genius of African Americans.

Benjamin Banneker was a self-taught mathematician/surveyor/astronomer, who published an annual almanac and helped design the city of Washington. George Washington Carver was born a slave, but went on to become one of this nation's greatest agricultural scientists. Ernest Everett Just of Charleston, South Carolina, is recognized as one of the great biologists of all time. And Charles Drew lived through the darkest days of segregation to become a pioneer in blood preservation. They showed us all how America's diversity is its greatest strength. Now it is your time. It is up to you, to honor their legacy, to live their dreams, to be the investigators, the doctors, and the scholars who will help keep our science rooted in our values.

Thank you and God bless you all.

THE PRESIDENT HAS SEEN

5-19-97

Elaine C. Kamarck

05/06/97 01:58 PM

To: Albert Gore/OVP

cc:

Subject: Veteran's Benefits Job -- urgent

The head of Veteran's Benefits is open and according to law a panel selects four people which are sent to the President. Our star reinventor -- Joe Thompson -- winner of the first hammer award -- was ranked number 1 by the panel. However, Jesse Brown is recommending the President chose the guy who was ranked number 4 -- I think it may be for diversity purposes.

Nevertheless, Joe is one of our most visible reinventors and the VA has a long way to go. I hope that maybe you can do something when this decision comes to the President.

Copied
Podesta
Wash
COS

Podesta/Wash
UP keep un-urgent to do
the Oreg guy & Poser
Pls check out
Bk

Copied
McGinty
LOS

R McGinty

ugh

an in unclose
to resolving this

BG

THE PRESIDENT HAS SEEN

5-19-97

THE PRESIDENT HAS SEEN

5-19-97

THE DOLPHIN DEATH ACT'S NARGO CONNECTION

Tuesday, April 29

New York Times - West Coast edition

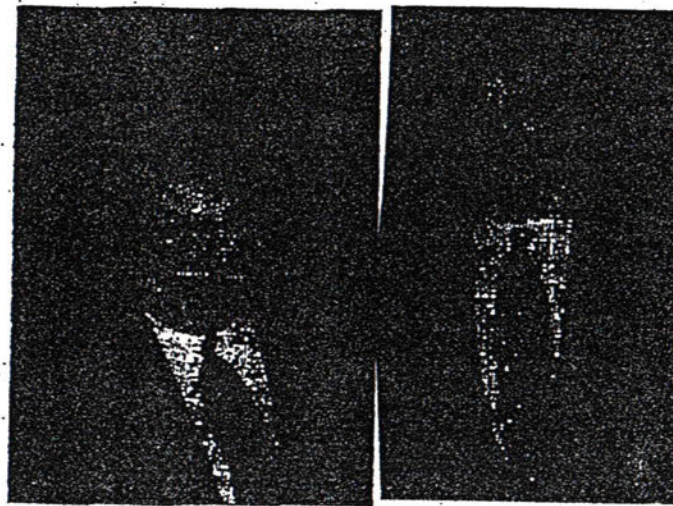
WHY ARE **AL GORE** AND MEMBERS OF CONGRESS READY TO LEGALIZE THE [REDACTED] SLAUGHTER OF DOLPHINS

Eager to encourage trade with Mexico at any cost, the Clinton Administration is pushing a bill through Congress that will kill thousands of dolphins and make it easier for Latin American drug lords to smuggle tons of cocaine into the U.S.

The Dolphin Death Act (H.R. 408/S. 39) overturns U.S. law banning the import of tuna from nations whose fleets set their nets on dolphins in the Eastern Pacific.

Before these protections were made to law in 1992, as many as seven million dolphins were slaughtered in tuna nets. Public outrage, a consumer boycott of canned tuna, and lawsuits impelling enforcement of the Marine Mammal Protection Act have guaranteed that canned tuna in the U.S. today is dolphin-safe.

But now, to appease Mexico, which continues to net dolphins and threatens protest the embargo of its tuna as unfair under the World Trade Organization, the Clinton Administration has brokered a deal allowing a flood of



Vice President Al Gore poses with Jorge Cabrera, a convicted drug trafficker, at a 1996 Florida fundraiser (The Democratic National Committee later returned Cabrera's \$20,000 donation). Gore is personally leading the Administration's effort to pass the Dolphin Death Act — ignoring growing evidence that the legislation would help Latin American

Salinas, brother of the former president and under arrest on murder and money laundering charges, is alleged to have an ownership interest in the largest tuna fishing fleet in Mexico, the Pescadora Azteca company.

First, foreign special interests **BREAK OUR LAW.** Now they're spending millions to repeal it.

The American people demanded and won dolphin-safe tuna. With that law in place, environmentalists and local fishing communities are making good progress toward establishing a sustainable livelihood — through dolphin-safe training, certification and export assistance programs.

If the Dolphin Death Act passes in this Congress, that incentive for progress is erased. It will again be open season on dolphins in the Eastern Pacific. Boats will again be netting, injuring, and killing dolphins. The "dolphin-safe" label on the cans you buy will mean nothing anymore.

The only winners?

The deal requires the passage of the Dolphin Death Act, gutting existing U.S. law and directly bolstering Latin American drug lords.

The DRUG TRADE is so dominant that cocaine is called "arun blanco" — WHITE TUNA — in Colombian fishing ports.

The Eastern Tropical Pacific is now the main cocaine route from Colombia north to Mexico. According to *The Washington Post*, "as much as two-thirds of all the cocaine destined for the U.S." — 275 tons — travels through these waters.

Seizures of a fraction of this traffic reveal a disturbing pattern. Tuna fishing boats flying the flags of Panama and Ecuador, have been stopped with huge amounts of cocaine. The largest maritime bust in history was 12 tons on a tuna boat in 1995. Another 7-ton load on a tuna boat was discovered in 1996. Many Mexican-flagged tuna boats are suspected of smuggling cocaine.

How far have the drug lords penetrated? Panama's tuna fleet was owned by Jose Castrillon Henao, arrested for drug trafficking and a kingpin in the Cali, Colombia, drug cartel. Castrillon also owns several Mexican fishing companies. His Mexican agent is currently under house arrest on money

laundering charges. Both tuna operations in Mexico and Panama are implicated in smuggling and money laundering.

Overturn U.S. environmental law for the sake of **FREE TRADE** in **COCAINE?**

Whatever rhetoric is unleashed in Congress on behalf of the Dolphin Death Act, the bottom line is it's a backroom deal enriching a few at the expense of innocent dolphins and unsuspecting American consumers.

The Governments of Mexico and Venezuela are spending millions of dollars in Washington, D.C., hiring top lobbying and public relations firms to help jam the Dolphin Death Act through an all too compliant Congress.

Why is the Mexican government so intent on lifting the restrictions? Raul

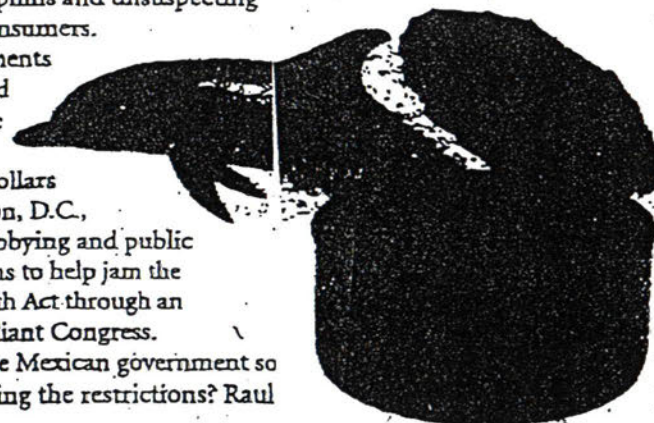
the law and dump their product on the U.S. market — whatever product that might be. Today, the law is clear, enforceable, and saves dolphins' lives. There is no reason to weaken it.

Dolphins are among the Earth's most intelligent and magnificent species. What will it mean to our children and to future generations if we allow dolphins to be slaughtered again for tuna fish sandwiches?

If we lose this one in the name of "free trade," what will America trade away next? It's time to draw the line. Please, contact your Senators and Vice President Al Gore immediately.

EARTH ISLAND INSTITUTE

More than 85 environmental and consumer interest groups oppose the Dolphin Death Act (S. 39 / H.R. 408) including the Humane Society of the U.S., Captain Jacques Cousteau, Public Citizen, Friends of the Earth, Fund for Animals and Defenders of Wildlife. This urgent message has been made possible by Earth Island Institute, the American SPCA, Society for Animal Protective Legislation, Dolphin Connection, the Animal Rights Mobilization and the Hawley Family Foundation.



Senator _____
U.S. Senate
Washington, D.C. 20510

Dear Senator:

The new Dolphin Death Bills, H.R. 408 and S. 39, are opposed by more than 85 environmental and consumer interest groups. This special interest legislation was beaten last year and must be put to rest again. Do your part to defend one of the most popular environmental protection victories in history. Do not change the "dolphin-safe" label. Keep our tuna dolphin-safe.

NAME _____

ADDRESS _____

CITY/STATE/ZIP _____

Vice President Al Gore
Old Executive Office Building
Washington, D.C. 20500

Dear Mr. Gore:

The Clinton Administration's shameful deal to undermine America's clear and effective dolphin protections must not be tolerated. The "dolphin-safe" labels on our canned tuna should mean what they say. No tuna caught with unsafe nets should be imported. The American people drew the line on dolphin kills. Who are you to erase it?

NAME _____

ADDRESS _____

CITY/STATE/ZIP _____

Dave Phillips, Director of Int'l Marine Mammal Project
Earth Island Institute, 300 Broadway, Suite 28
San Francisco, CA 94133-3312

Dear Mr. Phillips:

Together we won the tuna boycott and gained commitments for dolphin-safe tuna. Together we won clear, enforceable federal protections — and a ban on unsafe imports. We beat back last year's attempt to undermine U.S. law. Now we must do it again.

☐ I've contacted Washington. ☐ I enclose my donation of \$25 \$35 \$50 \$100 or \$_____.

NAME _____

ADDRESS _____

CITY/STATE/ZIP _____



CALL 1-800-DOLPHIN TO SEND URGENT MESSAGES TO YOUR SENATORS TO STOP THE DOLPHIN DEATH ACT



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

May 14, 1997

THE PRESIDENT HAS SEEN
5-19-97

MEMORANDUM FOR THE VICE PRESIDENT

FROM: KATHLEEN A. McGINTY *WRN for KAM*

RE: ADDITIONAL ITEMS FOR DISCUSSION AT LUNCH WITH
THE PRESIDENT

Supplemental disaster relief appropriations and "pave the Parks" rider

- This rider, referred to as "R.S. 2477," was added by a 2-vote margin to the Senate version of the Supplemental Appropriations bill. While its potential impact is complex and not widely understood, this has the potential for being another timber salvage rider in terms of environmental consequences. Senator Stevens and others tried twice in the last Congress to attach this rider to appropriations bills and the omnibus parks bill, but backed off in the face of stiff public opposition. All major environmental groups have begun a full court press against this rider, and will hold a press conference tomorrow.
- It is possible that the supplemental appropriations bill could come to the President with this rider as the only remaining objectionable provision, and he needs to understand that there could be serious environmental backlash if he signs the bill with this rider. On the other hand, a veto threat by the Administration based on this rider alone issued now could provide the momentum necessary for conferees on the Hill to reject this rider (it is likely to be in the Senate but not the House version of the bill due to support by Senator Stevens.)
- The bill would reinstate an 1866 law, repealed over 20 years ago, granting rights of way for highway construction across all public lands, including parks, wildlife refuges, and military bases. It also allows state law to control all legal questions about the propriety of rights-of-way. It has the potential to impact all states, and some private property that was originally federal land. Due to existing state law, its impact in Alaska is particularly dangerous, and it's been estimated that it would permit up to 300 miles of paved roads through the Arctic National Wildlife Refuge.

- We are advised that bulldozers are poised at the border of the Monument -- ready to plow as soon as the legislation is signed. Moreover, we believe that NBC and ABC News are sending news crews to the area and that Nightline is considering a piece on it as well.

New World Mine/Headwaters Property Exchanges

- As part of the budget negotiations, the Administration has proposed paying cash for the Federal share of the New World Mine and Headwaters property exchanges, and Congressional negotiators have tentatively agreed (we're keeping our fingers crossed). Details of the offset are still being worked out, but in the end funding could simply come from an overall pot of money that is available.
- The total Federal amount for New World Mine would be up to \$65 million and the total for Headwaters would be up to \$250 million, although about \$50 million of the Headwaters deal might still involve non-controversial property swaps. Paying cash for these exchanges will permit the Federal government to live up to its agreements while avoiding thorny side issues such as finding money from the Conservation Reserve Program or Federal energy leases.
- Sylvia Mathews was extremely helpful in moving this issue forward within the White House by strongly indicating to Frank Raines that the POTUS really did want to get this settled if possible. **It would be useful to mention her very helpful role to the POTUS.** Since then T.J. Glauthier has also been especially constructive in helping to provide a solution on behalf of OMB.

Ozone/Particulate Rulemaking

- Allow the current internal decision-making process to proceed without preemptive intervention.

THE PRESIDENT HAS SEEN

5-19-97

Katie McGinty
- I think we have
- \$ for Kennedy / gymnasium
- must avoid another
timber mill problem
for

copied
McGinty
Cos

FRANCIS X. HALLIGAN, JR.
ATTORNEY AT LAW
Member N. J., D. C., N. Y., and Fla. Bars

List

707 MAIN STREET
TOMS RIVER, N. J. 08753
(908) 244-2500

THE PRESIDENT HAS SEEN
5-19-97

HOLIDAY CITY PLAZA
730 JAMAICA BOULEVARD
TOMS RIVER, N. J. 08757
(908) 286-9292

FAX (908) 244-3384

PLEASE REPLY TO:
707 MAIN STREET
P. O. BOX 1286
TOMS RIVER, N. J. 08754

April 30, 1997

President William Jefferson Clinton
The White House
Washington, D.C. 20500-2000

Re: Newspaper and Magazine Articles

Dear Mr. President-Bill,

At our meeting in Philadelphia this past Sunday, I had told you of the article I had recently read concerning the problem the Military was having with the large number of their recruits dropping out of the service before completing their first enlistment, because of medical problems. I am enclosing that article from the May 1997 Edition of THE AMERICAN LEGION MAGAZINE, captioned TOUGHER PHYSICALS.

I am also enclosing herein an article that appeared in the Saturday, April 26, 1997 edition of THE NEW YORK TIMES, written by James Bennet.

On behalf of Jane and I, please accept our most sincere thanks for your kindness in allowing us to visit with you in Philadelphia this past weekend.

As you had invited me to call you at the White House during my stay in Washington, D.C. during the latter portion of this week, I shall of course do so.

Jane and I wish you a speedy recovery and I am personally looking forward to jogging with you once again, should the invitation be extended once you have healed.

Yours truly,

Fran
FRANCIS X. HALLIGAN, JR.
FXH/dmm
HAND DELIVERED

*Copied
Karmack
COS*

FRANCIS X. HALLIGAN, JR.
39 OCEAN AVENUE
P.O. Box 1453
ISLAND HEIGHTS, NJ 08732
(908) 929-8999 FAX (908) 270-0395

The New York Times

Copyright © 1997 The New York Times

NEW YORK, SATURDAY, APRIL 26, 1997

\$1 beyond the greater New York metropo

White House Memo

With 'Smaller' Proposals, Clinton Basks in Friendly Press Coverage

By JAMES BENNET

WASHINGTON, April 25 — Some of Bill Clinton's little proposals have big significance after all, judging from the attention news organizations are now paying to the same ideas they played down and even dismissed as bite-size in the 1996 campaign.

The importance of early childhood development, highlighted by a one-day White House conference last week, is still rippling through the press. For five days in a row, two broadcast network morning shows ran segments on the subject, including interviews with Hillary Rodham Clinton. On Monday, ABC is planning a prime-time special about tots, "I Am Your Child," in which the Clintons will appear. And Newsweek has published a special issue featuring a blue-eyed baby gazing thoughtfully from the cover and an essay inside by the First Lady on "Doing The Best For Our Kids."

"Although Bill and I didn't realize it at the time," Mrs. Clinton wrote, "the countless hours we spent cuddling with Chelsea and reading her favorite stories not only strengthened our relationship with her, but literally helped her brain grow."

The White House is anticipating

even more attention for the President's Summit for America's Future, a conference on volunteerism that President Clinton plans to kick off on Sunday by cleaning graffiti in Philadelphia. It is no coincidence, one White House official said, that the two events are taking place within two weeks. Both promote Mr. Clin-

When news editors and policy wonks think alike.

ton's agenda on children and his image as a protector of children, from infancy through adolescence.

The meeting, which also features Gen. Colin L. Powell and past Presidents, has already drawn a tremendous amount of attention. "It seemed to me that on every news program, there was Colin Powell, there was the President, there was a former President," said Marvin Kalb, the director of the Shorenstein Center on the Press, Politics and Public Policy at Harvard. "The puzzling thing is,

why does the press participate in this?" Volunteerism, he noted, is hardly new, and the President's efforts are not particularly bold.

During the campaign, Mr. Clinton's pronouncements on reading to small children and encouraging volunteerism were marked by much smaller events than the summit and the White House conference. But White House officials and journalists suggested that other factors have also helped generate the intense coverage now.

The news organizations have not simply followed the President's lead. Instead, the White House's timing and news judgment appear to have aligned perfectly — and in some cases by accident — with those of the news magazines and programs, and of at least one network, ABC.

ABC said it did not schedule its special on child development to coincide with the conference, which took place on April 17. But it did not miss the opportunity for cross-promotion. Rob Reiner, the special's producer, participated in the conference. Further, ABC paid for a White House reception on the South Lawn that immediately followed it.

"It seemed to fit in with the corporate concern about early childhood development," said Julie Hoover, an

ABC spokeswoman. She said that the reception was completely separate from ABC's news operation.

But the news operation has taken note of the special. Marc Burstein, the executive producer of "Good Morning America," said the program's segments this week on early childhood development were timed to coincide with the special. The last segment, today, included an interview with Mrs. Clinton.

Some of Mr. Clinton's aides argue that news organizations have simply come to appreciate what President Clinton learned in his first term. Seemingly small proposals, like encouraging parents to read to children or preventing hospitals from immediately discharging new mothers, mean a lot to the real people who not only vote but read and watch television.

"They're reacting to the marketplace," one Administration official said. "They're beginning to report on things people care about."

Indeed, some of the news organizations said that they seized on the topic of early childhood development long before the White House conference was even scheduled. "For a program like 'Good Morning America,' the subject is a no-brainer," Mr. Burstein said. "That the White

House is involved is almost incidental. We would have done this any way."

At Newsweek, Alexis Gelber, an assistant managing editor, made the same point. "We planned our issue well before there were firm plans for the White House conference," she said. She said Mrs. Clinton would have been invited to write an essay even if the conference had not been planned. "Obviously these are important issues for her," she said.

The special issue appeared the same week as the conference. Ms. Gelber said that "knowing when the conference was planned for affected some of our distribution plans."

Steve Waldman, the national editor of U.S. News & World Report, who formerly worked for Americorps, the national service program, said some reporters erred by suspending their skepticism when they turned to apple-pie subject like volunteering.

"I think there is an underlying, deep-seated sense of guilt in the press about being too cynical," he said. "This is your chance to redeem yourself, by doing journalistic good. But there's a flaw in that, which is, to take the idea of volunteering seriously means applying normal journalistic skepticism."

THE AMERICAN LEGION

FOR GOD AND COUNTRY

May 1997

\$2.50

LAG
AMENDMENT
UPDATE
PAGE 18

PLUS

Edward L. Rowny
On Negotiating
In Tough Times

Korean War Remembrance

#BXNDXFR*****5-DIGIT 08732
#1024154757# 89997999705 97330597
FRANCIS X HALLIGAN JR
PO BOX 1453
ISLAND HGTS
NJ 08732-1453



CALLING HOME

SAILORS will be able to call home this year from most of the Navy's ships, no matter where in the world they're deployed. The Navy Exchange Command is signing up commercial phone companies to install phones and communications antennas on cruisers, destroyers, frigates and amphibious ships.

Telephones for calling home are nothing new on the Navy's largest ships, where there's room for the big antennas needed to beam phone calls to satellites, and where large crews generate enough profit to interest commercial phone service providers.

But on smaller ships with limited space and only a few hundred crew members, telephone conversation with the folks at home has been an unknown luxury.

Now the Navy has devised a system for installing phones in small ships and linking them electronically to larger ships. The ships form a mini-network, and each vessel is assigned a block of hours in which its crew members can make calls.

At about \$1 a minute, the shipboard calls cost a third the rate typically charged by commercial phone companies to call from overseas liberty ports.

TOUGHER PHYSICALS

TOUGHER medical screenings of recruits would reduce the number and expense of troops who fail to finish their first terms of service, federal auditors advise.

About a third of all recruits drop out of the service before completing their first enlistment, mainly because of medical problems, which costs the military services millions in wasted training efforts.

Disorders ranging from bad knees and asthma to psychiatric problems prompt the services to separate tens of thousands early.

Illegal drug use adds to the numbers of early dismissals.

General Accounting Office auditors say many of those discharged early should never have been let in the military in the first place. But pressure on recruiters to sign up new troops is intense, and medical waivers have become relatively easy to obtain.

Recruiters trying to make quotas aren't the only problem. Recruits often conceal disqualifying medical conditions.

Stricter screening and earlier drug testing could help uncover problems, the auditors advised. Another suggestion: rewarding recruiters for the quality of enlistees rather than the quantity would also help.

PAY TO STAY

THE Air Force has a plan to save money and put cash in airmen's pockets at the same time.

The service plans to offer \$2,000 bonuses to enlisted personnel stationed overseas if they'll stay abroad an extra year.

Service budget officials say the bonuses, which will be offered in late 1998, will save the Air Force far more than the cost. For each airman who stays in his slot, the Air Force avoids paying the cost of two moves—one for the bonus recipient and one for his replacement, who is not needed.

With military budgets still losing ground to inflation, the services are becoming increasingly inventive in stretching dollars.

BONUSES OFFERED

THE Army is also paying selected personnel to stay put, but in this case it's to re-enlist.

From linguists (French, Tagalog and Thai) to mechanics, medics and intelligence analysts, soldiers can get up to \$20,000 to "re-up" for at least three more years.

Those eligible have special skills that are in short supply.

The Army estimates it will need up to 90,000 new recruits this year, 20,000 more than it required in 1996.

But recruiting needs might be reduced if more troops can be persuaded to re-enlist—and in the past, cash bonuses have proven persuasive retention tools.

Ironically, the Army is also offering early retirements to some enlisted troops. About 800 senior enlisted personnel in combat support and combat service support specialties are being allowed to retire after 15 years service instead of the usual 20.

Early retirements help the Army trim personnel in overcrowded specialties. But those leaving early will find they receive reduced retirement benefits.

IN THE NEWS

THE Defense Department plans to let a small number of retirees over age 65 sign up for military medical care, but it wants Medicare reimbursement.... More retirees over 65 would get military-funded health care under legislation proposed by Rep. Joel Hefley, a Colorado Republican.... The military's top doctor, Stephen Joseph, says reservists suffering Gulf War Syndrome deserve free care.... Senate legislation would elevate the top job in each of the services' nurse corps from a one-star to a two-star billet.... With the age of information warfare dawning, military leaders worry it could cost \$3 billion to secure Defense Department computers against intruders. □

HELPING PEOPLE SERVING AMERICA

BECAUSE you are on duty for America, The American Legion is on duty for you.

To find out more about us and to join our ranks, write:

The American Legion
Internal Affairs
(Membership)
PO Box 1055
Indianapolis, IN 46206

Per Todd -

Send to Ruben
Stern memo &
Rubin memo

copied

Spierling

COS

Rubin (Stern +
Rubin memo)

5-19-97

THE WHITE HOUSE

WASHINGTON

May 18, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Financial Services Modernization

The attached memo from Gene Sperling seeks your approval to let Treasury proceed with a proposal for financial services modernization. Sec. Rubin hopes to announce Treasury's modernization proposals in a May 21 speech, and he has agreed to testify before the House Banking Committee the first week of June. If you agree, Treasury will, tomorrow, put out some advance word on the Rubin speech.

The attached memo is long, detailed and technical, but you can get the essentials by looking at the first four pages. Those give you a summary of the five main controversial issues, plus a review of action on the Hill. (Pages 5-14 go back over the five key issues in depth.) Internally, there is consensus on Treasury's proposal among all involved agencies -- NEC, Commerce, Justice, SBA, OMB, CEA, DPC, and Leg. Affairs.

The five key issues and Treasury's answers, in a nutshell: (1) Should banks be allowed to affiliate with other financial service companies (e.g., insurance, securities) and with non-financial firms? *Treasury intends to propose two different alternatives, which would each allow banks to affiliate freely with other financial companies, but would treat affiliation with non-financial firms differently;* (2) should diversified holding companies be regulated, with special reference to the role of the Fed? *Treasury would allow Fed to impose capital requirements in limited circumstances -- where (i) the holding company has assets over \$75 billion including bank assets over \$5 billion, (ii) aggregate bank assets constitute at least 75% of total holding company assets, or (iii) bank subsidiary falls below "well-capitalized" category;* (3) should the CRA be extended beyond banks and thrifts? *No. Infeasible and possible damaging politically;* (4) should strong consumer protections be written into new legislation as distinguished from being left to regulation? *Treasury would require bank regulators to adopt regulations to protect consumers, but not write protections into the bill itself;* and (5) should Treasury submit legislative language with its report? *Yes.*

Rubin note. I have also included a note from Bob Rubin which emphasizes that (a) this would be a Treasury initiative, requiring little White House time; (b) although he thinks prospects for passing legislation, even next year, are uncertain, Treasury's absence from the field would appear as a lack of leadership; and (c) trying to extend the CRA to nondepository financial institutions, such as insurance companies or mutual funds, could render an overall bill dead on arrival.

Approve Treasury proceeding ☒Disapprove ☐Discuss ☐



'97 MAY 16 PM2:31

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

THE PRESIDENT HAS SEEN
5-19-97

SECRETARY OF THE TREASURY

May 16, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *R. E. R.*
SUBJECT: Treasury's Financial Modernization Proposal

I would like to share with you a few observations of my own in addition to the views represented in the attached memorandum from the National Economic Council.

Over the past nine months, the Treasury has carefully reviewed the political and policy issues relating to modernization of financial services regulation. We have conferred with a range of experts on the subject and met with dozens of associations representing the views of providers and users of financial services. I believe that our proposal, although controversial in some respects, strikes a reasonable balance among the competing interests and policy considerations. It also leaves the most controversial issue -- affiliations between banks and nonfinancial companies -- for further debate.

Should you approve our recommendation to move forward, the proposal would be a Treasury initiative, and would not require a significant time commitment from the White House. I and my staff will manage the process of advancing the proposal, and with due regard for your Administration's overall priorities.

Historically, Congress has had great difficulty enacting legislation to modernize federal regulation of financial services -- which involves thorny issues and longstanding conflicts among banks, securities firms, insurance companies, and others. This Congress may be no exception: we do not expect legislation to pass this year, and the prospects next year are uncertain.

But the Treasury's absence from the field would be seen as a failure by the Administration to provide leadership where leadership is expected.

Lastly, some have suggested using financial modernization legislation as a vehicle for extending the Community Reinvestment Act to nondepository financial institutions (such as mutual funds or insurance companies). We believe that such an extension is neither practical nor politically feasible -- and could, in fact, render any financial modernization proposal dead on arrival. We will, in any event, block any Congressional efforts to weaken CRA.

I look forward to learning soon of your decision on this matter.

5-19-97

THE WHITE HOUSE
WASHINGTON

'97 MAY 16 PM 3:12

May 16, 1997

MEMORANDUM FOR THE PRESIDENT**FROM: GENE SPERLING****SUBJECT: Attached memorandum on Treasury's Financial Services
Modernization Proposal**

The attached memorandum asks you to authorize Treasury to proceed to announce and submit their financial services modernization proposal. Secretary Rubin intends to introduce the proposal in a May 21 speech, and to testify before the House Banking Committee the first week of June.

The memo is arranged as follows:

- Page 1 sets the procedural context, including why the timing is important
- Page 2 and the top of page 3 summarize the five primary issues
- Page 3 through the top of page 14 contain more extensive discussion of each of the five issues, together with your advisors' recommendations
- Page 14 sets out the decision alternatives

The proposal has been under development by Treasury for about a year, and has been the subject of a several-month NEC process. During the process, your advisors were able to raise and resolve a number of important issues. Your advisors are in unanimous agreement that Treasury should proceed with its proposal as outlined in the memo.

THE WHITE HOUSE
WASHINGTON

May 16, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

**SUBJECT: Request for Decision Concerning Treasury's Financial Services
Modernization Proposal**

I. ACTION FORCING EVENT: Treasury was required by statute to report to Congress by March 31 on the potential merger of the bank and thrift charters and of the bank and thrift insurance funds. The specific items in the report are inextricably bound up with the broader issue of financial services modernization, namely the extent to which all types of financial entities -- including banks, thrifts, securities firms and insurance companies -- can affiliate with each other, and the extent to which firms affiliated with banks can affiliate with non-financial commercial firms.

All your economic advisors believe financial modernization reform is long overdue, that it is good government, good for the American economy and good for American consumers. Consolidation in the banking industry will probably continue, with some loss of jobs, with or without modernization. But modernization should make all financial services companies more competitive at home and abroad and should enable the sector to continue its recent job growth.

Although Treasury has not yet submitted its report, Congress -- especially the House -- is already considering financial services modernization, including the repeal of the Glass-Steagall Act¹. After declining several previous invitations to testify, Secretary Rubin has agreed to testify before the House Banking Committee the first week in June. He would like to be able to announce Treasury's proposals in a speech on May 21, so that the announcement would be in a forum he, rather than the Congress, controls. Any financial services modernization effort would be a Treasury, rather than a Presidential, initiative.

**II. DECISION REQUIRED: WHETHER TO AUTHORIZE THE TREASURY TO PROCEED WITH
PRESENTATION OF ALTERNATIVE FINANCIAL SERVICES MODERNIZATION PROPOSALS.**

Over the past several months, the NEC has run an interagency process to consider Treasury's proposals. Treasury, Commerce, Justice, SBA, OMB, CEA, DPC and White House Legislative Affairs have been participants. We have been able to develop a consensus on all issues. On several issues, however, we wish to inform you of important countervailing considerations. This memo provides you with a quick overview of the major issues, with a substantial amount of background following.

¹ The 1933 Glass-Steagall Act prohibits the combination of commercial and investment banking.

Issue 1. How should banking and commerce combinations be dealt with? Treasury proposes to provide two alternatives. The first would allow banks to affiliate freely with all types of financial service companies and allow the combinations to include up to an unspecified percentage of commercial business (measured by gross revenues), but exclude any combination of the 1000 largest non-financial firms with any bank. The second would allow banks to affiliate freely with all types of financial service companies but not allow such affiliations to do any non-financial business. In the second alternative, the thrift charter, which allows any type of business to affiliate with a thrift, would be retained. Your advisors agree with Treasury's proposal. While the Administration will surely be criticized for not being decisive, this appears to be a reasonable way of moving the process forward while accommodating the strong feelings against any combination of banking and commerce held by several senior Democratic Senators (including Senators Sarbanes and Daschle).

Issue 2. How should diversified holding companies be regulated and what should be the role of the Fed? Treasury proposes to allow the Fed to impose capital requirements only on a limited group of diversified bank holding companies, those: (i) with total assets over \$75 billion which include bank assets totaling over \$5 billion; (ii) in which the aggregate bank assets constitute at least 75% of total holding company assets; or (iii) where a subsidiary bank's capital level falls below the "well-capitalized" level (the highest statutory capital level) and remains there for 90 days. The diversified holding company would guarantee to the Fed that each of its depository institution subsidiaries would be continuously well-capitalized or the depository institution will be divested with a requirement that it be well-capitalized after divestiture. Some diversified financial companies interested in affiliating with banks may complain that this is too much regulation, and the Fed may assert it is too little. However, we believe it is a responsible starting point for the legislative process.

Issue 3. Should the Community Reinvestment Act (CRA) be extended beyond banks and thrifts as part of financial services modernization? Treasury proposes to extend CRA only to a new class of banks -- Wholesale Financial Institutions, which could not take insured deposits but would be banks in most other respects. Treasury does not propose any further extension because, not only is there no support in Congress for extension, but Republicans have given clear warning that an attempt to extend will lead to new efforts to repeal or gut CRA. Your advisors agree with Treasury's assessment of the political situation and with Treasury's position. However, you should be aware that community groups will regard proposing modernization without extending CRA to non-bank entities that are part of a bank holding company to be backtracking on your Administration's most successful economic development initiative.

Issue 4. Should strong consumer protections be hardwired into the statute, particularly to prevent consumer confusion about federal insurance on non-deposit products and excessive pressure to purchase insurance as part of a loan transaction? Treasury proposes to require bank regulators to adopt regulations on these issues (currently there are only "guidelines"), including a very simple disclosure about insurance status. Your advisors agree with this proposal, believing that there are one-stop shopping synergies in financial services modernization that really will benefit consumers. However, consumer groups are likely to regard the proposal as insufficient, in part because of lack of trust of the bank regulators, and in part because banking law would not be amended to establish a private right of action for violation of the regulations.

Issue 5. Should Treasury submit legislative language with its report? Treasury proposes to provide Congress with legislative language from which Congress can proceed to consider financial services modernization. Your advisors agree with Treasury's position, but Legislative Affairs raises the caution that once we have sent up legislative language, the process may well begin to move and we may have difficulty controlling it, particularly with respect to issues such as CRA and the ability of banks to do non-bank activities in a bank, rather than a holding company, subsidiary (see footnote 8). It is generally agreed that without an Administration submission, the legislative process will stall.

III. BACKGROUND: Current law restricts affiliations between banks and other companies (i.e., it prevents them from owning one another or being under common ownership). The Glass-Steagall Act generally prohibits affiliations between banks and securities firms. The Bank Holding Company Act of 1956 generally restricts bank holding companies to activities closely related to banking, and specifically prohibits such companies from underwriting or selling insurance².

Technological and financial innovation, together with market pressures to offer consumers a wider array of services, have rendered this segmentation of the financial market untenable. Different types of financial products have converged with one another. No longer is there a sharp practical distinction between a syndicated loan and privately placed commercial paper, between a security and a financial future, between a checking account and a money-market mutual fund, or between a mutual fund and a variable-annuity insurance policy. Derivative financial instruments even challenge such fundamental distinctions as those between debt and equity or between dollars and drachmas.

In the face of these developments -- this proliferation of new types of financial products -- the old distinctions among financial institutions are eroding. Banks and thrifts are now practically indistinguishable. Many banks offer insurance, mutual fund shares, and brokerage services, and underwrite a wide range of securities, directly or through affiliates. Securities firms make or syndicate commercial loans, and offer money-market accounts with check-writing privileges. Securities markets constitute the largest source of home-mortgage financing. A wide range of nonfinancial companies own specialized banks that offer credit cards.

Yet the old statutory restrictions remain, imposing needless regulatory and management costs, and impeding competition, innovation and consumer choice. Allowing financial firms of all types to affiliate holds promise that consumers will benefit as fair competition -- less hindered by regulatory restrictions - will drive firms to achieve savings and pass them on to consumers³.

² The Comptroller of the Currency has permitted national banks, under specific provisions of the National Bank Act, to sell insurance, and has been upheld by the Supreme Court. Insurance agents, in particular, are very much opposed to this "extension" of bank powers, and the issue has been both a catalyst for and a political barrier to, financial services modernization.

³ For example, for many years a very limited group of savings banks, mainly in the Northeast, has been allowed to offer savings bank life insurance, an extremely reasonably-priced product attractive to people (such as young married couples with children) whose income and capacity to purchase insurance make them inefficient prospects for the higher-cost insurance agent distribution channel. Expanding the ability of banks to offer insurance products should, on the basis of this experience, make insurance more widely available, at

In addition to providing benefits to consumers, affiliations among financial institutions should reduce the operating costs of the institutions, which, whether passed on to consumers, employees or shareholders, will almost certainly increase the institutions' productivity and should provide economy-wide benefits. Increased affiliation will increase intra-firm diversification, which should help reduce the risk of institutional failure. And finally, by aligning what our financial firms can do in the United States with what they can do abroad and with what foreign financial firms can do in the United States, allowing increased affiliations should increase the international competitiveness of US firms.

For these reasons, there has been a growing agreement that the restrictions against affiliations among financial institutions have become outdated. Over the years, both Congressional Banking Committees have approved legislation to repeal the Glass-Steagall Act, and the Senate passed such a bill in 1988 by a vote of 94-2. Yet such legislation has repeatedly foundered on inter-industry conflicts (e.g., between banks and securities firms, insurance companies, and insurance agents), most recently during the last Congress.

During the past year, trade associations representing a wide range of market participants have made significant progress toward bridging the gaps that have traditionally divided them. The Alliance for Financial Modernization -- a coalition of 10 bank, thrift, securities, insurance, and diversified-company trade associations -- has agreed on legislation (the Alliance, or Roukema/Vento, bill) that would permit any company to affiliate with a bank if the resulting company has at least 75 percent of its business in financial institutions or financial activities. Thus the Alliance bill would remove existing constraints on affiliations among different types of firms that concentrate in financial services, and give these financial firms latitude to conduct nonfinancial activities of significant, but not overwhelming, scale.

Other major proposals currently pending in Congress include the D'Amato/Baker and Leach bills. The D'Amato/Baker bill is the most sweeping, permitting banks to affiliate with any company, financial or nonfinancial. By contrast, the Leach bill -- the most restrictive proposal -- would permit affiliations among banks, securities firms, and insurance companies (but not nonfinancial firms), retain much bank-type regulation of companies affiliated with banks, and vest broad regulatory authority in the Federal Reserve Board. Chairman Leach has scheduled hearings on his bill for the first two weeks of June.

One other concern motivates this legislation. Last year Congress passed legislation that rehabilitated the FDIC insurance fund that insures thrifts (SAIF). All your financial advisors, as well as the FDIC, strongly believe SAIF should be merged with the Bank Insurance Fund (BIF) to maximize their ability to withstand any future shocks to the financial system. However, the "Frist Amendment" conditioned merging of the funds on the elimination of the thrift charter. Both banks and thrifts have taken the position that this means creation of a unified charter that provides both types of institutions with virtually all the benefits each now has, including banks' broad commercial lending powers and at least some of the thrifts' right to affiliate with any type of entity.

reduced prices. Similarly, security firms have clearly proven their ability to offer highly attractive savings vehicles at higher yields than those available from banks -- witness the fact that last year for the first time more money was in mutual funds than in bank deposits. Providing securities firms the opportunity to offer their efficiencies more directly to bank depositors may well enhance yields available to small savers on insured deposits.

ISSUE 1. HOW SHOULD BANKING AND COMMERCE COMBINATIONS BE DEALT WITH?

Treasury Alternative A (consolidation of the bank and thrift charters, permitting affiliations among all financial firms, with a "basket" of non-financial activities allowed): Alternative A is similar to the Roukema bill. The thrift charter would be abolished and all thrifts would become banks⁴. A "basket" of non-financial⁵ activities would be permitted within a holding company structure that includes a bank, but the Treasury report would not provide a specific size for the basket. Banking/non-financial affiliations would be further limited in that none of the largest 1000 non-financial firms (by asset size) would be allowed to affiliate with a bank⁶.

The capital of any bank within a diversified holding company (i.e., one that engages in activities, including securities and insurance underwriting, that could not have been done in the bank) would have to be maintained at the "well-capitalized"⁷ level, and the holding company would have to provide a guarantee to that effect. While banks could engage in non-bank financial activities in subsidiaries of the bank⁸, all non-financial activities would have to be done in holding company subsidiaries and there would be a total ban on any extension of credit by a bank to or for the benefit of a non-financial affiliate.

⁴ The Office of Thrift Supervision (OTS) would be merged with the Office of the Comptroller of the Currency (OCC). Both are bureaus of the Treasury.

⁵ "Financial" would generally be defined in the statute to include banking and any activity currently authorized for a bank, the activities of bank operating subsidiaries, and all activities that can be performed by securities, commodities and insurance companies. The National Council on Financial Services could add other financial or financially-related activities to the definition. All other activities would be deemed non-financial.

⁶ Any company, financial or non-financial, could affiliate with a "Wholesale Financial Institution" (WFI, pronounced "WOOFIE"), which could not take insured deposits and would not be subject to the Bank Holding Company Act.

⁷ Bank (and thrift) capital categories are set by statute at "well-capitalized," "adequately capitalized," "undercapitalized" (which subjects the bank to regulatory sanctions), "significantly undercapitalized" (regulatory sanctions required), and "critically undercapitalized" (bank subject to being placed in receivership). Current law in effect requires a holding company to either maintain the bank or thrift at the adequately capitalized level or divest itself of the institution.

⁸ The Administration has supported the proposition that the choice whether to conduct financial activities as a subsidiary of a bank or as a subsidiary of a holding company (and thus as an affiliate of a bank) should be a matter of corporate choice, i.e., that no particular form should either be mandated or encouraged by law. The Fed (and a number of its supporters) has taken the position that all non-bank activity should be done in a holding company subsidiary only. While there are substantive issues involved in this debate, much of the dispute in fact revolves around the fact that OCC regulates banks and their subsidiaries, whereas the Fed regulates bank holding companies, and thus forcing activities into holding company subsidiaries reduces the Administration's reach with respect to financial services policy. The FDIC, which is responsible for the deposit insurance funds, backs the Administration's position.

Alternative A's abolition of the federal thrift charter (and the treatment of any remaining state thrifts as state banks) substantively satisfies the Frist Amendment. A major complication with this change, however, is how to handle differences in the affiliation powers of bank holding companies and unitary thrift holding companies (companies that own one and only one thrift). Currently, unitary thrift holding companies can engage in nonfinancial activities with virtually no limits.⁹ Fewer than 30¹⁰ thrifts are part of holding companies that engage in non-financial businesses. (Approximately 45 others are engaged in real estate development, investment and management, which is regarded as "financial" by OTS but not "closely related to banking" by the Fed.) Treasury proposes to grandfather the right of all 515 existing unitary thrift holding companies to engage in nonfinancial activities without regard to the basket. The grandfather rights would not survive a change in control of the holding company (i.e., the expanded franchise could not be sold), but would otherwise be unlimited in duration.

Treasury Alternative B (retain separate bank and thrift charters, allow affiliations among banks and all financial firms, but with no basket of non-financial activities): Alternative B would approach the banking and commerce issue by leaving the existing thrift charter, holding company structure and regulatory system intact. As noted above, unitary thrift holding companies can currently affiliate with any type of institution. Furthermore, the federal thrift charter has recently been altered to permit (i) unlimited consumer lending and (ii) up to 10% of assets to be commercial loans and an additional 10% to be small business loans -- thus making the charter very similar to the actual asset mix of approximately 60% of the commercial banks.¹¹

Alternative B in essence preserves the current right of a diversified financial holding company that includes non-financial activities to get into retail "banking" by buying a single thrift. Alternatively, such an institution could get into wholesale banking by affiliating with a WFI (see note 6). The Bank Holding Company Act would be amended to allow any financial firm to affiliate with a bank and to allow any bank to buy, establish or otherwise affiliate with, any other type of financial firm including, in particular, an insurance or securities underwriter. Under Alternative B, the Frist Amendment would

⁹ Under current law, the initial purchase must be approved by OTS (which must approve holding company management) and OTS can impose limitations on safety and soundness grounds. Informally, OTS has indicated that they would look skeptically on, e.g., purchase of a thrift by a company a significant portion of whose business was gambling. Multiple thrift holding companies (companies that own more than one thrift, but no banks) are basically limited to activities permitted to bank holding companies, although they may engage in real estate development, investment and management. Under alternative A, all thrift holding companies would be turned into bank holding companies (albeit with special powers in some cases), and would be regulated by the Fed.

¹⁰ Numbers relating to thrift holding companies are as of 12/31/96.

¹¹ While it is difficult to tell precisely from publicly available data, it appears unlikely that many of the largest banks could qualify as thrifts, mainly because of their commercial lending and investments in non-mortgage securities. However, it is possible that one or more of the large banks with a heavily consumer orientation (e.g., NationsBank) might so qualify, and could, therefore, make a choice to become a thrift to take advantage of the commerce "opportunity." In the past, banks such as Wells Fargo that have considered moving to a thrift charter have ultimately rejected the idea.

simply be statutorily deemed to be satisfied, on the theory that its real purpose was to ensure the opportunity of banks to expand into insurance and securities and this has been accomplished.

Discussion:

Substantive issues: The decision whether to allow any affiliation of financial and nonfinancial firms is one of the most contentious issues arising from the legislation. In general, the substantive arguments for permitting affiliation are:

- to get the benefits of financial firm synergies, it is important to allow securities and insurance companies -- which contain significant non-financial elements -- to have access to retail banking customers;
- there may be synergies between financial and non-financial firms that would provide consumers with additional benefits from modernization;
- allowing firms with non-financial elements into banking would increase competition, which would benefit consumers; and
- such combinations are already permitted in the thrift industry, where they have not caused any problems.

The substantive arguments for opposition to any combination of banking and commerce are:

- unlike other financial services, banking comes with government backing, which generates subsidies and moral hazard; it is inappropriate to extend this safety net or subsidy to commerce;
- most of the synergies between commercial and financial firms involve using the financial firm as a marketing or financing tool for the commercial firm, which is an inappropriate use of the government safety net;
- this country, unlike Japan and Germany, has a long cultural tradition against combinations of banking and commerce, and has had legal prohibitions during the period in which modern financial institutions have developed;
- the combination may exacerbate the already strong trend toward moving control of credit and financial services out of the local communities where these services are needed;
- allowing combinations of banking and commerce will lead to over-concentration of economic power; and
- it is difficult to believe that financial regulators could effectively regulate non-financial companies.

Affiliations between bank-affiliated firms and companies doing a business that truly would provide some positive synergies for the financial firm, such as a software or telecommunications firm, may well be possible to achieve gradually by establishing in the legislation a system by which regulators could expand the definition of "related to a financial activity" over time, without having to move all the way to allowing combinations of banking and industrial firms.

Political Issues: The political argument favoring a significant degree of banking and commerce affiliation is that the securities and insurance companies and the thrift industry, and Senators Dodd and D'Amato, will not support modernization without a substantial opportunity for entities affiliated with depository institutions to do non-financial activities. Without their support, the legislation cannot

proceed¹². There are two political arguments against permitting any banking and commerce combination: (i) Senator Sarbanes and such traditional Democratic constituencies as community and consumer groups have stated they will unalterably oppose any legislation that permits any banking/commerce combination; and (ii) House Banking Committee Chairman Leach and former Fed Chairman Paul Volcker have come out firmly in opposition to any significant banking and commerce combination, while Fed Chairman Greenspan has indicated willingness to consider only very limited combinations as the start of a go-slow approach.

Alternative A has generated some interest from Chairman Leach, as closer to his minimalist approach to banking and commerce than the Roukema bill, and commands support from those, such as Rep. Roukema, who support the basket approach. However, Senator Sarbanes remains opposed. Proponents of full banking and commerce, particularly Mr. Baker, have voiced their displeasure with this more limited approach.

Within the Administration, Chairman Yellen and Director Raines believe that grandfathering all the unitary thrift holding companies is far too broad, and that grandfather rights should be limited to those unitaries that are actually using their authority to engage in non-financial activities to an extent in excess of whatever basket is established. Treasury responds that not cutting back on thrift powers is critical to maintaining thrift support for legislation, which in turn is critical for legislation to move forward. Treasury has agreed that the Administration would be willing to cut back substantially on the scope of grandfathering as a bill moved through the legislative process.

Treasury has been able to keep Alternative B from leaking, so it is unclear how it will be received. The issues that will potentially arise are:

- banks might assert that the Frist amendment has not been satisfied and therefore the conditions for merging the funds have not been met¹³;
- diversified financial holding companies that have non-financial affiliates might not view the thrift option as sufficient;
- banking/commerce opponents may view the proposal as unsatisfying since it preserves, and publicizes, an existing banking/commerce "loophole"; and
- there may be serious concern about the ability of OTS to regulate effectively a large number of powerful new unitary thrift holding companies.

On this last point, Director Raines believes that if Alternative B prevails as the basis of financial services modernization legislation, thrift holding companies that engage, through holding company subsidiaries, in financial or non-financial activities that could not be carried out in the thrift itself, should be regulated by the Fed, not by OTS.

¹² The extent to which this concern can be met by allowing affiliations of non-financial institutions with thrifts (as in Alternative B) rather than banks (as in Alternative A) is unclear, as Alternative B has not yet been discussed publicly as a possible response to the companies' or Senators' concerns.

¹³ In general, banks don't much care about merging the funds; that is a good government and a thrift issue. But, understanding the interest of others in merging the funds, banks view the BIF/SAIF merger as a quid pro quo for agreeing to take on part of the FICO obligation as part of the SAIF recapitalization last year.

Conclusion: Your advisors recommend proceeding with two alternatives, as Treasury has proposed, taking into consideration, as the legislative process proceeds, the concerns raised by Chairman Yellen and Director Raines.

ISSUE 2. HOW SHOULD DIVERSIFIED HOLDING COMPANIES BE REGULATED AND WHAT SHOULD BE THE ROLE OF THE FED?

Treasury proposal: Treasury proposes that the Fed would regulate all bank holding companies (under Alternative B thrift holding companies would continue to be regulated by OTS). Holding companies engaging in activities that cannot be done directly in the bank (including, for example, securities or insurance underwriting) would be required to provide the Fed an undertaking to maintain the capital of the subsidiary banks at the "well-capitalized" level¹⁴, which exceeds the level at which a bank is considered to be in good standing under regular capital standards.

If the bank's capital fell below the "well-capitalized" level, the holding company would be required to bring the capital level back up to well-capitalized and maintain it at that level. If, within 180 days, the holding company were unable to bring bank capital back up to the well-capitalized level, the holding company would be required to **either** (i) divest the bank in a manner that results in the bank being well-capitalized upon divestiture (e.g., by shrinking the balance sheet or by getting the buyer to add capital as part of the transaction); or (ii) cease engaging within the holding company in any activity the bank could not engage in directly. If the bank got seriously in trouble so quickly that the FDIC were forced to put it into receivership or conservatorship, the holding company's guarantee of the bank's well-capitalized status would be enforceable by the FDIC. The Fed would be responsible, as part of its normal supervisory process, for continuously evaluating the holding company's ability to support the bank's capital at the well-capitalized level, and would be authorized to examine bank holding companies and their nonbank subsidiaries.

The Fed would have general regulatory authority to establish holding company capital requirements in the following situations:

- A subsidiary bank's capital has remained below the well-capitalized level for more than 90 days and the holding company engages in activities not permitted in a bank;
- Consolidated banking assets constitute more than 75% of the assets of the holding company; or
- The holding company has assets in excess \$75 billion and owns one or more banks with consolidated assets in excess of \$5 billion¹⁵.

In addition, the Fed could impose holding company capital requirements either on a case-by-case or class basis upon a determination that such a requirement "is or may be necessary to avert a material risk to the safety and soundness of a subsidiary insured depository institution."

The Treasury's proposal would not impose similar requirements on thrift holding companies (under Alternative B), nor does current law.

¹⁴ See note 7.

¹⁵ As of 12/31/96, 134 commercial banks had assets in excess of \$5 billion, as did 35 thrifts.

Treasury has discussed the proposal with the Fed, and has received indications from a key staff contact that the proposal is generally "in the ballpark." However, there has been no official agreement.

Discussion: The proposal to allow all types of financial services companies to affiliate (and perhaps to allow some non-financial affiliations in addition) has raised concerns that the consolidated activities of these diversified holding companies could generate risks to the subsidiary banks or even to the financial system that cannot be detected through individual regulation of the bank, securities and insurance affiliates. Just as the firms continue to consolidate their risk analysis and management at the holding company level, there is a need for some holding company level oversight by the federal government.

On the other hand, proposals for consolidation of all financial services regulators, even at the federal level, have been notoriously unsuccessful, in part because of turf jealousies, but also in part because of a real recognition of substantive differences in the statutory schemes under which the firms operate -- differences that, for the most part, would not be changed by either Treasury's proposal, or any other proposal currently being considered in Congress. This leaves aside the even greater objections to bringing insurance regulation under the federal umbrella. Moreover, neither federal regulators nor potential diversified firms that would like to affiliate with banks have any interest in bank-like regulation being imposed on, e.g., American Express.

In recognition of both the substantive and political implications of the Fed's current role as regulator of bank holding companies, all parties to the debate have concluded that some level of Fed oversight and supervision of diversified bank holding companies is appropriate. Proposals have ranged from permitting such regulation only upon a demonstration of imminent danger to the banking or financial system to imposing full bank holding company regulation on all diversified firms.

Conclusion: The nature and extent of diversified holding company supervision and regulation by the Fed has thus been one of the most difficult we have faced. Over the course of the last several months, the principals have discussed numerous variations among themselves, and Treasury has discussed many of these variations with the Fed. In the opinion of the principals, Treasury's current proposal represents a responsible balance. It provides the Fed with sufficient general authority to regulate large diversified holding companies and those overwhelmingly engaged in banking -- about which legitimate concern of banking or financial systemic risk could arise -- while neither requiring the Fed to exercise that authority where it is not needed nor involving them in regulating the capital of smaller diversified holding companies.

Treasury also notes that Congressional dynamics make it highly likely that the Fed's authority will be strengthened during the legislative process, and it is therefore important to start at a point that provides bargaining room.

Your advisors therefore recommend that Treasury's proposal be adopted, but that we remain flexible on the precise boundaries set out.

ISSUE 3. SHOULD THE COMMUNITY REINVESTMENT ACT BE EXTENDED BEYOND BANKS AND THRIFTS AS PART OF FINANCIAL SERVICES MODERNIZATION?

Treasury proposes to extend CRA to Wholesale Financial Institutions but not to nondepository financial institutions (e.g., mutual funds or insurance companies), even if they were affiliated with a depository institution. The Secretary's speech announcing any proposal -- and all subsequent statements from the Administration -- would state explicitly that we will tolerate no weakening of CRA.

Discussion: One of the hallmarks of your Administration has been its recognition that access to credit and other financial services is essential to the vitality and growth of communities. Bank regulators have been directed to make the Community Reinvestment Act work to generate "performance, not paperwork." The regulators -- working through an unprecedented series of hearings and other outreach efforts -- responded effectively: new CRA regulations, which are just coming into effect, have been praised as effective without being burdensome. As a result of this Administration's efforts in this area (including not only CRA, but also effective enforcement of non-discrimination laws, and the National Homeownership Strategy), over \$90 billion in CRA commitments have been made and the number of mortgages made in low- and moderate-income communities rose 22% and the number to minorities rose 33% between 1993 and 1995 (compared with an overall increase in number of mortgages of 10%). In the 104th Congress, the Administration stood strong against any cutback in CRA in the context of banking regulatory relief regulation -- and succeeded in fending off all challenges.

The power of CRA and related statutes and of the bank regulators to get results is beyond anything community groups have been able to accomplish in the remainder of the financial services industry. So anything that diminishes the reach of the banking regulators, and of CRA, is troublesome to these groups. They believe financial services modernization will encourage assets to flow out of banks, and thus reduce the impact of CRA. Their concern is exacerbated by what they see as the lack of benefit to consumers -- particularly poor consumers -- from changes, such as interstate banking, that have already occurred in the system. They have strongly urged the Administration, as a condition of financial services modernization, to expand CRA coverage to all financial institutions affiliated with a bank or at least to all bank-eligible products (such as mortgage loans) no matter where in the holding company they are offered.

Conclusion: Your advisors unanimously recommend that, notwithstanding the concerns of the community groups, CRA expansion beyond WFIs¹⁶ should not be included in the proposal. There are two basic reasons: practical and political. On the practical side, Treasury notes that mutual funds and securities broker-dealers operate in nationwide financial markets largely without respect to geographic boundaries. CRA, by contrast, has always had an intensely geographic focus, aimed at getting banks and thrift to lend and invest in the communities they are chartered to serve. Moreover, insurance companies, commercial financial companies and consumer finance companies -- unlike depository

¹⁶ Treasury would expand CRA to WFIs because: (i) WFIs are banks that take deposits; (ii) they have access to the payment system; and (iii) to create WFIs without CRA would open the way for an immediate contraction of CRA coverage as such wholesale banks as Bankers Trust and JP Morgan -- now subject to CRA -- became WFIs. With one exception, all the non-bank companies likely to create WFIs have said they would not oppose application of CRA to WFIs.

institutions -- are not subject to comprehensive federal regulation in the sense that banks and thrifts are. Thus it is not clear how CRA, which is keyed to the federal bank regulatory-application process, would be applied to them.

In addition, while there may be some increased flow of assets out of banking as part of the synergies created by modernization, it is also likely that assets will flow in. For example, if an insurance company has a bank affiliate, it may be inclined to encourage recipients of insurance proceeds who wish to invest them with limited risk to invest in a bank CD, rather than in some non-bank vehicle. Similarly, securities firms may put uninvested customer cash into bank products, rather than money funds. And, if banks can provide one-stop shopping for business borrowers, they may be able to boost the bank share of large syndicated credits.

As a political matter, whatever support CRA has among community groups and some Members of Congress (including in particular Senator Sarbanes), it is strongly disliked by many banks, most Republican members of Congress and many pro-business Democrats. In fact, it is probably fair to say that, with the potentially important exceptions of Senator D'Amato and some senior House Banking Committee Democrats (such as Representatives LaFalce and Vento), no one strongly in favor of financial services legislation is strongly in favor of CRA. And the securities and insurance industries (backed by, e.g., Senator Dodd) are unalterably opposed to any expansion.

Moreover, even many CRA proponents (such as Senator Sarbanes) believe that any attempt to expand CRA as a price for modernization legislation will lead either to no legislation (a result to which they would not object) or a frontal assault on CRA by opponents such as Senators Shelby and Mack, with the result that -- if it went anywhere at all -- the entire financial services debate would become a fight about CRA, and it is very likely the Administration would be called upon to veto any resulting bill. Senator D'Amato has indicated that he will protect CRA from depredation if the Administration does not push to expand its reach. The Senator did help us accomplish this result in 1996, when he was under significantly less electoral pressure to do so, and we believe he can and will hold the line again.

ISSUE 4. SHOULD STRONG CONSUMER PROTECTIONS BE HARDWIRED INTO THE STATUTE, PARTICULARLY TO PREVENT CONSUMER CONFUSION ABOUT INSURANCE ON NON-DEPOSIT PRODUCTS AND EXCESSIVE PRESSURE TO PURCHASE INSURANCE AS PART OF A LOAN TRANSACTION?

Treasury would establish that federal bank and securities regulators have an obligation, with respect to retail sales of non-deposit investment products by depository institutions, to avoid customer confusion about the applicability and scope of FDIC and SIPC insurance; to prevent improper disclosure of confidential customer information; and to avoid conflicts of interest and other abuses.

The regulations adopted by the banking regulators and the SEC would be required to "encourage the use of disclosure that is simple, direct, and readily understandable," and to encourage oral as well as written disclosure. (Studies have shown that oral disclosure is more effective, but it is, of course, more difficult to monitor, particularly in face-to-face, rather than telephone, conversations.) The National Council on Financial Services, on which both the federal banking regulators and the SEC would sit, could establish more stringent regulations than those adopted by the individual regulators.

The Treasury's proposal would prohibit non-depository institution affiliates within a bank holding company from sharing with any depository institution in the holding company non-public customer information, including in particular evaluations of creditworthiness, unless the customer received "clear and conspicuous disclosure" that such information might be shared and had an opportunity to direct that it not be shared. As a practical matter, customers would probably be given an opportunity to make this choice for all classes of information upon the opening of an account, rather than on an event-by-event basis.

Treasury would require the National Council on Financial Services to biennially review, starting on June 30, 2001, the regulations adopted pursuant to these requirements to determine whether they achieve the statute's purposes.

Finally, Treasury's proposal would, by adopting a greater degree of functional regulation of securities activities than is currently the case, impose more consumer-protective requirements on bank activities relating to securities sales and work for investment companies than is currently the case.

Discussion: Treasury's proposal is designed to be at least as protective of consumer concerns as proposals currently being considered in the House, but to do so in a manner that hardwires fewer requirements into statute and requires more of the regulators. However, the requirement for simple disclosure goes further than other proposals. In contrast to current law, bank regulators would have to adopt **regulations**, not guidelines, regarding the sale of non-deposit investment products.

The consumer groups are not likely to be fully satisfied with this approach for three reasons:

- they are skeptical of the bank regulators' ability and willingness to adopt strong and effective regulations in this area and they would therefore prefer to hardwire more into the statute;
- the proposal would not provide consumers with a private cause of action against a depository institution that caused harm by violating the regulations;
- the proposal would not explicitly deal with "implicit" tying, under which a consumer gets the impression, by the mere fact that credit insurance is offered before a loan is approved, that approval of the loan is contingent on purchase of insurance from the bank.

Conversely, financial institutions will be concerned that this proposal -- particularly the information disclosure portion -- may severely limit their ability to cross-sell securities and investment products, which they regard as one of the benefits to both consumers and institutions of allowing greater affiliations among financial institutions.

The history of hardwiring consumer protections into financial statutes has been very spotty, in large part because the industry and technology are changing so quickly that what appears effective in protecting consumers when a statute is enacted quickly becomes marginally useful and very burdensome. Truth in Savings, Truth in Lending and the Real Estate Settlement Protection Act all needed statutory modification for years before Congress got around to doing the job last session. By using instead a regulatory process with full notice and comment (unlike the development of guidelines, which is in general done without public notice), and by requiring periodic review and updating, rules that make more sense for both businesses and consumers are likely to be established and kept current.

Conclusion: Your advisors unanimously recommend that Treasury go ahead with its proposed consumer protection provisions. The bill as a whole should generate significant consumer benefits through opportunities for one-stop shopping and cross-marketing. While implicit tying probably does occur in the minds of some consumers¹⁷, more opportunities for competition within the financial services sector should reduce, rather than increase it.

ISSUE 5. SHOULD TREASURY SUBMIT LEGISLATIVE LANGUAGE WITH ITS REPORT?

In 1995, as Congress started its most recent financial services modernization debate, Treasury chose to participate through testimony and a statement of principles. There is a general feeling that the result was that the Administration was marginalized and not really a player once Members of Congress, such as Chairman Leach, submitted bills. Treasury's opinion is that it is even more important for the Administration to come to the table with legislative language this time, since several bills have already been introduced, serious hearings have started, and -- while it looks less likely than it did several months ago -- the stars may be aligned to actually produce legislation this Congress. People on the Hill are clearly waiting for statutory language.

At the same time, however, taking a firm position on banking and commerce would, as discussed above, be counterproductive. Treasury therefore intends to submit a single draft, with alternative language as necessary to conform to Alternatives A and B on banking and commerce. Treasury and White House Legislative Affairs are discussing alternative formats that are simultaneously technically feasible and politically optimal; no package will be transmitted without their joint agreement.

Conclusion: Your advisors agree with the Treasury proposal to submit legislative language as a Treasury initiative. Your advisors also believe it is critical that Treasury do a careful and complete rollout of the proposal, particularly with Democrats, both to avoid confusion and to position the proposal as a thoughtful and sensible way to move the debate forward, rather than a fainthearted response to a difficult substantive and political problem.

IV. DECISIONS

_____ Treasury should proceed as it has proposed.

_____ We need further discussion before deciding whether and how to proceed. Please arrange for a meeting of relevant principals with me. I am particularly concerned about:

_____ I do not believe we should proceed with any legislative proposal at this time. Treasury should simply fulfil its statutory mandate to send Congress a report.

¹⁷ Under current law, explicit tying is prohibited to banks, without the showing of market power required under traditional antitrust law.

5-19-97

(C)

Yellen follow-up on how much \$5 million in 1936 would be worth in today's dollars. The consumer price index has increased by a factor of 11.3 since 1936. Thus, \$5 million in 1936 translates into \$56.4 million today.

(D)

Sec. Rubin follow-up on access to Internet-based educational resources for children, teachers and parents. Over the next three months, Treasury will incorporate a page for children on the its public web site, and in six months, they will add content for teachers and parents. In addition, Treasury continues to answer electronic mail questions and post fact sheets.

(E)

McCurry memo on press office radio actuality line. This week the Press Office will launch a new voice-mail radio actuality line for local radio stations. The new system is automated and will allow us to do a greater number of radio actualities than our current method. Mike hopes that you, the VP, the First Lady and Mrs. Gore will record actualities for the line regularly. In addition, staff will put edited sound from WH events, announcements and briefings on the line.

(F)

Thank you note from James Billington of the Library of Congress. He thanks you for your presence and reading at the Library on April 30th. "It was a true stroke of genius to ask everyone to listen to those words from the Declaration as if they were hearing them for the first time.... [Y]ou read them with such dignity and feeling that they truly did come to life for all of us."

(G)

Congressional correspondence. Sens. Harry Reid and Richard Bryan thank the Administration for its leadership on the Nuclear Waste Policy Act of 1997; Sen. Carol Moseley Braun thanks you for your leadership on improving school infrastructure; Rep. Joe Kennedy thanks you for your friendship and support; Sen. Byron Dorgan and Rep. Earl Pomeroy thank you for your visit to North Dakota and the support you offered the flood victims; and Sen. Patrick Leahy forwards an article on Chelsea that appeared in the Burlington Free Press.

(This article was
not returned)

'97 MAY 14 PM 7:19

THE WHITE HOUSE

WASHINGTON

May 14, 1997

Original to Brophy
with copy of
article #7

Copied cos

Sent to Chris Walker
for reply.

MEMORANDUM FOR THE PRESIDENT

FROM: SUSAN BROPHY *SB*

SUBJECT: CONGRESSIONAL CORRESPONDENCE

Attached are letters from the following Members of Congress that I thought you would like to see:

- 1) Sen. Harry Reid (D-NV), thanking the Administration for its leadership on the Nuclear Waste Policy Act of 1997, S. 104;
- 2) Sen. Richard H. Bryan (D-NV), thanking the Administration for its leadership on the Nuclear Waste Policy Act of 1997, S. 104;
- 3) Sen. Carol Moseley-Braun (D-IL), regarding efforts to improve school infrastructure;
- 4) Rep. Joseph P. Kennedy, II (D-MA), thanking you for your friendship and support;
- 5) Rep. Earl Pomeroy (D-ND), thanking you for your visit to North Dakota and the support you offered the flood victims;
- 6) Sen. Byron L. Dorgan (D-ND), thanking you for your visit to North Dakota and the support you offered the flood victims; and,
- 7) Sen. Patrick J. Leahy (D-VT), forwarding an article on Chelsea that recently appeared in the Burlington Free Press.

United States Senate

WASHINGTON, DC 20510-2803

April 22, 1997

The President
The White House
Washington, D.C.

Dear Mr. President:

APR 28 AM 9:51

I write to thank you for the administration's strong opposition to S. 104, the Nuclear Waste Policy Act of 1997. Nevadans and the nation owe you a debt of gratitude as your support was critical to our successful efforts to obtain enough votes to sustain a Presidential veto in the Senate.

As you know, Senator Bryan and I are strongly opposed to this legislation. We believe this bill to be detrimental to the interests of both Nevada and the nation. Indeed, it makes no logical sense to proceed with interim storage absent sound scientific determinations regarding a permanent repository. Further, imprudent efforts to proceed with interim storage in such a hastily construed manner as S. 104 do little to dispel the notion that this Congress is pursuing an anti-environmental agenda.

I also wish to thank you for your support for convening an event this summer to address environmental issues affecting Lake Tahoe. I am aware that planning for this event is moving along at a rapid pace and invite you to call upon my office to provide you any additional assistance you may need. While I am looking forward to discussing a wide range of issues I believe it would be most productive if we focused the agenda solely on those issues affecting the Tahoe basin.

Again, thank you for all of your support.

Sincerely,



HARRY REID
United States Senator

*P.S. you & your
administration are
great to work with.
Please tell Hilary,
hello. R*

RICHARD BRYAN
NEVADA



UNITED STATES SENATE
WASHINGTON, D. C. APR 21 AM 9:58

Dear Mr. President —

On behalf of the 1.7 million
people of our party to represent I
want to express my appreciation to you for
your leadership & that of your administration
in opposing the ill considered nuclear waste landfill
debot in the Senate earlier this week. —

As you have pointed out S-104 is a
poker for the nation. By lowering health &
safety standards S-104 could endanger not only
the state but millions of people who live in other
states — I am grateful that we have secured the
votes necessary to protect your state. Thank you — YRB

United States Senate
WASHINGTON, DC 20510-1303

COMMITTEES:
BANKING, HOUSING, AND
URBAN AFFAIRS
FINANCE
SPECIAL AGING

April 22, 1997

APR 25 PM3:34

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

I thought you might be interested in the attached Peanuts comics. As you can see, the problem of crumbling schools in America has become so widespread, even Peppermint Patty's school now has a leaky roof.

I must say I am not surprised. Because of your leadership, parents, teachers, school administrators, and community leaders are realizing there is hope for their dilapidated, overcrowded, technologically under-equipped schools. They are realizing for the first time that their children do not have to go to school every day in environments they would never tolerate for themselves. I believe school infrastructure is one of your most popular initiatives with people in communities across the country.

Thank you again for your leadership.

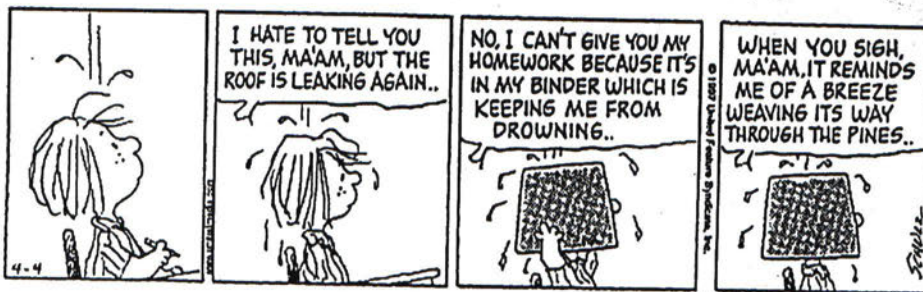
Sincerely,


Carol Moseley-Braun
United States Senator

CMB:sbc

cc: The Honorable Richard W. Riley
The Honorable Franklin Raines
Mr. Gene Sperling
Mr. John Hilley

Peppermint Patty's Crumbling School





MAY 1 PM 4:14

Dear Mrs. President

Just a note of Thanks for all
The friendship and support you have
been there past couple of months. The
help you have provided opens doors
That I hope I can now

JOSEPH P. KENNEDY II
MEMBER OF CONGRESS
WASHINGTON, D. C. 20515
(202) 225-5111

find my way through -

you've been a kind and
loyal friend - and it just goes
to show you that you shouldn't
always listen to Uncle Buddy!!
✓

your old Buddy.
✓

EARL POMEROY
NORTH DAKOTA



MAY 2 AM 11:38

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

✓
Dear Mr. President,

Your visit to North Dakota did a
great deal to pick up the people of
an area who had really been flattened.
As they prepare for weeks of trying to save
businesses and reclaiming flooded homes, you
gave them hope and encouragement. You made
it clear we're in this together. Very sincere thanks!
Earl



UNITED STATES SENATE
WASHINGTON, D. C. 20510

BYRON L. DORGAN
NORTH DAKOTA

May 8, 1997

The Honorable William J. Clinton
The White House
Washington, DC 20500

Dear Mr. President:

I would like to thank you once more for touring Grand Forks at the height of the flood crisis.

YOUR VISIT PRESENTED A VISION OF HOPE DURING A
very dark period for the residents of Grand Forks and
I appreciate the time you were able to spend there.

The Administration's response has been outstanding. We are thankful for your work and commend the personnel of the many agencies who have provided timely help to North Dakota's citizens.

Thank you so much for taking a personal interest in addressing the worst disaster North Dakota has ever seen.

Sincerely,

Byron L. Dorgan
U.S. Senator

We deeply appreciate it!

PATRICK J. LEAHY
VERMONT



UNITED STATES SENATE
WASHINGTON, D. C. 20510

April 29, 1997

MAY 2 AM 11:38

Dear Friends,

Marcelle and I enjoyed seeing the enclosed in our local newspaper on a recent visit home.

As we've told you many times, we are so proud of the way you have raised Chelsea. She is a lovely, intelligent young woman that would make any parents proud.

I know how hard it is to raise children in Washington in the public eye as a Senator. It has to be so much more difficult in your position, but you have done this better than anyone I know.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to be "P. Leahy".

The Honorable and Mrs. William Clinton
The White House
Washington, DC 20500

*She is great - you have to
be proud
and rightly
so.*

■ Moonbeam is a six-year-old communications director for the husband, whose office handles news inquiries about Chelsea.

■ Chelsea is a science, computer and science-fiction buff.

■ She is a serious ballet student who began classes at 4.

■ She once hoped for a career as a mathematical engineer, which would have allowed her to build space stations.

■ She is pursuing a pre-medical education.

■ Chelsea's donation to a Leukemia Research Fund was baby-sitting money. Her father had to have paid several of her and brother's tuition bills in connection with their private education.



Eartha Kitt

The Associated Press

NEW YORK — A slow ripple of fear goes through the circle of businessmen near the stage.

Eartha Kitt's on the prowl.

"Fancy meeting you two nights in a row," the veteran singer coos, locking her gaze onto one well-dressed man sitting among some buddies.

Befuddled, the first-timer looks up at her in mute terror.

But Kitt will not be denied — she slowly turns her attention to his companion. "And who's this new piece of apple tart you've got here tonight?"

The apple tart is speechless.

Now in her fifth decade of making men nervous, Eartha Kitt still electrifies audiences with her one-of-a-kind persona, peppering her flirty set with gold-digging songs about champagne, stretch limos and pearls.

But in an era when cabaret is mostly musty theater, Kitt's shows are fresh and vibrant — and increasingly being embraced by Gen-Xers.

"It's absolutely marvelous," the former television Catwoman purrs. "Every time I see a younger audience, that makes me feel alive, really."

At New York's plush Cafe Carlyle recently, she let her heavy

gaze fall onto a young man with close-cropped hair and multiple piercings huddling with his date at a front table.

Teasing, she writhed frantically toward him, shaking her size 6 frame like some sort of possessed belly dancer. But after shimmying suggestively for a few minutes, she finally gave up.

"Next time, bring your father," she purred. The intimate hall erupted into laughter.

Kitt is tickled pink by the appearance of fresh, twentysomething faces.

"Young people obviously come because they've been told to come by their parents or they

know of me as Catwoman or just saw me in a movie or heard my voice," she says.

"They don't know what to expect once they see me and tell me that they become mesmerized. It's a happy surprise because then I find the same faces coming back again and again."

Her daughter, Kitt Shapiro, agrees: "I'm amazed at how diverse the group is. To see people in their 20s is amazing. It's a testament to who she is and what she's done all these years."

Keeping a high profile in recent years hasn't hurt attendance either.

Kitt was a spellbinding

CHELSEA: 'Village' helped raise 'First Daughter'

Continued from Page 1C

In her book "It Takes a Village" (Simon & Schuster), Hillary Rodham Clinton recounts how she sought advice from Jacqueline Kennedy Onassis on the rearing of White House children. Protecting them from public exposure, Onassis advised, was critical. Thus, like the Kennedy kids, Chelsea Clinton was "not put in front of the cameras all the time," notes Baldrige, author of the recently published "More Than Manners: Raising Today's Kids to Have Kind Manners and Good Hearts" (Rawson Associates).

"Like all Americans, I'm very interested in her," Baldrige says of Chelsea. "Her parents are doing everything right. She's a good student, and she asked intelligent questions" on a recent trip to southern Asia with her mother. "There's an obvious affection for one another in that family,"

Baldrige says. "You can't put that on."

Says Charles Figley, Ph.D., a Florida State University psychologist who studies the children of politicians and celebrities, "What may be odd and weird is that she's so normal under these fishbowl conditions."

"From my observations, it appears she's a normal, intelligent, fun-loving young woman," Figley says, thanks in part to her parents' decision to send her to Sidwell Friends, an elite Quaker private school in Washington, D.C., whose tuition tops \$13,020 a year.

Spurning public education "set a bad tone and sent the wrong signal," Figley goes on. "But while it may have been a bad political decision, it was a good parenting decision. It's a much more defensible, protective environment."

Much of the protection, of

course, has been from the prying and often catty eyes of the East Coast media cabal, which published regular accounts of Susan Ford's dates when her father, Gerald, was president.

Remarkably, the media complied with the Clintons' hands-off policy toward Chelsea, even though the children of several Washington journalists also are enrolled at Sidwell Friends.

"I think it's extraordinary and very unusual to back off and follow the wishes of the first family," Figley says. "The press doesn't get enough credit for this."

Well-traveled

Foreign travel is one of the big perks of a White House life; Chelsea recently traveled with her mother on a six-nation goodwill trip to Africa that includes a stop in the Serengeti, one of Tanzania's famed wild animal parks. On her father's whistle-stop cam-

paign, there were signs along the route that said, "Chelsea in 2016." Her mother — so much for privacy — announced two years ago on "Live With Regis and Kathie Lee" that her daughter had begun to date, and "It Takes a Village" is peppered with Chelsea anecdotes.

In Washington, her mother has said, the first daughter has had "basically a very positive experience."

Concludes former presidential strategist Dick Morris, writing in "Behind the Oval Office" (Random House), his recently published memoirs, "There is no trace of conceit, arrogance or class consciousness about her. She knows that her status is temporary and that it is based on her parents' achievements, not hers."

"She knows that she'll have to make her own way in the world when this is all over."

A Little Known
Recent Paintings by
TAD SPURGE

Dwellings:
Real & Imagined

A group show representing
work of regional artists

April 11
GRAND OPEN

Please join us for refreshments

Friday, April 18

3 FALLS ROAD, S

MJL

5-19-97

(C)

Yellen follow-up on how much \$5 million in 1936 would be worth in today's dollars. The consumer price index has increased by a factor of 11.3 since 1936. Thus, \$5 million in 1936 translates into \$56.4 million today.

(D)

Sec. Rubin follow-up on access to Internet-based educational resources for children, teachers and parents. Over the next three months, Treasury will incorporate a page for children on the its public web site, and in six months, they will add content for teachers and parents. In addition, Treasury continues to answer electronic mail questions and post fact sheets.

(E)

McCurry memo on press office radio actuality line. This week the Press Office will launch a new voice-mail radio actuality line for local radio stations. The new system is automated and will allow us to do a greater number of radio actualities than our current method. Mike hopes that you, the VP, the First Lady and Mrs. Gore will record actualities for the line regularly. In addition, staff will put edited sound from WH events, announcements and briefings on the line.

(F)

Thank you note from James Billington of the Library of Congress. He thanks you for your presence and reading at the Library on April 30th. "It was a true stroke of genius to ask everyone to listen to those words from the Declaration as if they were hearing them for the first time.... [Y]ou read them with such dignity and feeling that they truly did come to life for all of us."

(G)

Congressional correspondence. Sens. Harry Reid and Richard Bryan thank the Administration for its leadership on the Nuclear Waste Policy Act of 1997; Sen. Carol Moseley Braun thanks you for your leadership on improving school infrastructure; Rep. Joe Kennedy thanks you for your friendship and support; Sen. Byron Dorgan and Rep. Earl Pomeroy thank you for your visit to North Dakota and the support you offered the flood victims; and Sen. Patrick Leahy forwards an article on Chelsea that appeared in the Burlington Free Press.

→ Dr. G. + Leahy

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
5/19/97

'97 MAY 15 AM 10:33

May 14, 1997

MEMORANDUM TO THE PRESIDENT

From: Mike McCurry *MMC*
Re: Press Office Radio Actuality Line

*Good
fell down in office*

*Copied
McCurry
COS*

Beginning this week, the Press Office will launch a new voice-mail based radio actuality line for local radio stations. The actuality line is designed to provide sound from you and other administration officials to stations for use in their local news broadcasts. This new system is automated and will allow us to do a greater number of radio actualities than our current method.

The prime beneficiaries of this service will be radio stations throughout the country that do not have access to or wish to supplement network news feeds. We hope that you, the Vice President, the First Lady and Mrs. Gore will take a few minutes to record actualities for the line on a regular basis.

In addition to these specially recorded actualities, the Press Office radio staff will put edited sound from White House events, announcements and briefings on the line.

I am hopeful that this new actuality line will be of great use to regional radio outlets. I will keep you updated on its progress.

THE PRESIDENT HAS SEEN

5-19-97

THE WHITE HOUSE
WASHINGTON

97 MAY 17 PM 2:10

May 17, 1997

Copied
Reed
Kagan
COS

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

RE: DPC Weekly Report

1. Housing Bill: The House passed, by a vote 293 to 132, a bill to reform the system of public housing, most notably by reducing the percentage of extremely poor tenants in public housing and making room for more of the working poor. The Administration objected to the bill, principally for its failure to target the most needy individuals. The Senate bill is far closer to our own proposal, and we will work hard there to incorporate our targeting provisions. Some Democrats in the House also objected to a provision in the bill requiring unemployed tenants to perform eight hours of community service each month, but the Administration has long supported this proposal. Perhaps the best part of the bill is a provision that prevents rent from rising automatically with income, which should remove a disincentive to getting off welfare. The bill also includes \$290 million in grant money to fight crime in public housing.

2. Welfare -- Fair Labor Standards Act: We announced yesterday that the Fair Labor Standards Act would apply to welfare recipients in workfare programs in the same way it applies to all other employees. To try to alleviate state concerns, we made clear that we would take administrative action to ensure that food stamps, as well as cash assistance, would count toward the minimum wage. We also indicated, consistent with the position we have taken since 1994, that we disfavor counting payments to workfare participants as wages for FICA and EITC purposes. Notwithstanding these efforts to ease state concerns, our decision immediately came under attack from Republican -- and also some Democratic -- governors. In addition, Clay Shaw sent a letter to you yesterday calling the decision "a serious setback for state efforts to move recipients into jobs" and offering his assistance "if your Administration thinks your hands are tied by the current labor laws and wants Congress to fix them." We are meeting Monday with agency representatives and also with labor union leaders to devise the best strategy for countering attacks on our decision.

3. Welfare -- Privatization: HHS and USDA formally notified Texas that it could not privatize any aspect of the eligibility process for Medicaid and Food Stamps. Erskine will have one meeting next week with members of the Texas delegation who oppose the decision -- and another with members who support it. Meanwhile, the Texas legislature is considering new legislation on the issue. One bill, passed by the House a week ago, allows private companies only to design and develop computer systems, in line with the Administration's policy. Another bill, supported by Governor Bush and reported out of a Senate Committee, also authorizes the

privatization of eligibility functions in the event the federal government ever allows it. In negotiating with Texas, HHS and USDA representatives raised the possibility of a sub-state, time-limited demonstration project involving privatization of eligibility functions, but Texas was not interested in this approach. The Administration will soon have to decide whether to grant a request from Wisconsin for just this kind of limited, county-based privatization project.

4. Welfare -- GAO Report on Benefit Terminations: A new GAO study, requested by Sen. Moynihan, examines waivers that permitted 33 states to sanction AFDC recipients by terminating benefits, usually for refusing to comply with work requirements. The GAO found that 14 of the 33 states did not terminate any benefits, while another 7 terminated benefits in fewer than 100 cases. The report studied in depth the three states with the most terminations: Iowa, Massachusetts, and Wisconsin, which had 13,000 of the 18,000 terminations nationwide. All three have had above-average caseload reductions (23% in Iowa, 37% in Massachusetts, and 49% in Wisconsin since 1993). The terminations do not directly account for these caseload reductions: each of the three states terminated less than one percent of its caseload. The termination policy, however, may well contribute to caseload reduction in a more indirect fashion; each of these states reported anecdotal evidence that the policy encourages people to move toward work or discourages them from applying for benefits in the first place.

The GAO report did not make many findings about what happens to recipients once they lose benefits. The report did note, however, that approximately one-third of those losing benefits later regained them after agreeing to comply with state requirements. In addition, the report found that although the waivers permitted those losing AFDC to keep food stamps and Medicaid, the actual receipt of these benefits fell significantly, presumably because families did not take the necessary steps to keep these benefits after losing AFDC.

Should challenge others to follow suit

5. Children's Health: We are working with HHS to complete a report that you will release at a radio address on children's health, currently planned for May 24. The report discusses the reasons that children lack coverage and underscores the health and developmental problems that uninsured children suffer. The report concludes that we can build on the success of Medicaid and state programs to expand health insurance coverage to millions more children. We are also looking for dates for either you or the First Lady to participate in an announcement by Kaiser Permanente that it will spend \$100 million over the next five years to insure approximately 50,000 children.

6. Cloning: The National Bioethics Advisory Commission (NBAC) will hold its final public meeting on human cloning today and will present you with its report the week of June 9. The report will find that human cloning violates ethical standards (focusing on the risks it poses to developing embryos) and that a ban on human cloning will not impede scientific progress. At the least, NBAC will call for a continued voluntary moratorium on human cloning. In all probability, the Commission will go further and call for legislation prohibiting human cloning. The legislative recommendation has proved controversial because some commissioners fear that Congress will draft overbroad legislation and/or refuse to amend the legislation in any way as

science evolves. We expect NBAC to resolve this issue sometime next week, perhaps by recommending a specific, narrowly tailored prohibition with a sunset provision.

Must try to work out

7. Education Standards and Testing: Rep. Goodling offered an amendment to the flood relief bill that would have prohibited the Education Department from spending any funds to develop national tests, but the House ruled the amendment out of order. In the course of discussing this amendment with Goodling and others, we refused to commit the Administration to seeking specific congressional authorization before implementing the tests. We believe, however, that we should try to reach an accommodation with Congress on this issue in the near future. Although we are still discussing options, we think the best idea may be to propose as part of the reauthorization of NAEP that the National Assessment Governing Board assume responsibility for the individual tests, much as the Board now oversees the statewide NAEP examinations.

8. Secret Service Uniformed Division Unionization: You recently asked about the response of other agencies to the Treasury Department's argument that allowing Secret Service Uniformed Division employees to unionize would place the government on a slippery slope to eliminating Executive Order 12171. We are attaching a copy of that E.O., which lists the units in the Departments of Treasury, Defense, Justice, Transportation, and Energy currently prevented from unionizing for security reasons. When we asked the other departments about exempting Uniformed Division employees, (1) DOE said it had no objections, even though it is facing a similar request from its Nuclear Materials Couriers, because it can distinguish these employees from Uniformed Division personnel; (2) DOJ expressed no view, stating that employees of its covered units (the DEA and Marshal's Service) probably would not seek unionization; (3) DOD also expressed no view, stating that its covered units are different enough from the Uniformed Division to prevent them from "being pulled in;" and (4) DOT, which some years ago faced a unionization request from its Federal Air Marshals, expressed a "mild concern" of a "ripple effect," but stressed that this concern was indeed "mild."

Codification of Presidential Proclamations and Executive Orders
Authority delegated under this Order to the Director of the Office of Personnel Management.

Executive Order 12154—Levels IV and V of the Executive Schedule

SOURCE: The provisions of Executive Order 12154 of Sept. 4, 1979, appear at 44 FR 31963, 3 CFR, 1979 Comp., 424, unless otherwise noted.

By the authority vested in me as President by Section 5317 of Title 5 of the United States Code it is hereby ordered as follows:

1-1. Executive Schedule Positions.

1-101. The following positions are placed in level IV of the Executive Schedule:

- (a) Counselor to the Secretary, Department of the Treasury.
- (b) Deputy Under Secretary for International Labor Affairs, Department of Labor.
- (c) Administrator, Alcohol, Drug Abuse and Mental Health Administration, Department of Health and Human Services.
- (d) [Deleted]
- (e) Executive Director, White House Conference on Aging, Department of Health and Human Services.
- (f) Deputy Adviser for Congressional Affairs, Council on Wage and Price Stability.¹
- (g) Deputy Adviser for Government Operations, Council on Wage and Price Stability.
- (h) Deputy Adviser for Regulatory Policies, Council on Wage and Price Stability.
- (i) Executive Secretary of the National Security Council.
- (j) Administrator, Office of Juvenile Justice and Delinquency Prevention, Department of Justice.

[Sec. 1-101 amended by EO 12199 of Mar. 12, 1980, 45 FR 16441, 3 CFR, 1980 Comp., p. 227; EO 12236 of Sept. 3, 1980, 45 FR 58805, 3 CFR, 1980 Comp., p. 279; EO 12422 of May 20, 1983, 48 FR 23157, 3 CFR, 1983 Comp., p. 191; EO 12431 of July 8, 1983, 48 FR 31849, 3 CFR, 1983 Comp., p. 198; EO 12608 of Sept. 9, 1987, 52 FR 34617, 3 CFR, 1987 Comp., p. 245]

1-102. The following positions are placed in level V of the Executive Schedule:

- (a) Deputy Assistant Secretary of Defense for Reserve Affairs, Department of Defense.
- (b) Executive Director, Pension Benefit Guaranty Corporation, Department of Labor.
- (c) Executive Assistant and Counselor to the Secretary of Labor, Department of Labor.
- (d) Commissioner on Aging, Department of Health and Human Services.
- (e) Deputy Under Secretary for Education, Department of Education.
- (f) Deputy Under Secretary for Education, Department of Education.

¹ EDITORIAL NOTE: The Council on Wage and Price Stability was abolished by Executive Order 12288 of Jan. 29, 1981, 46 FR 10135, 3 CFR, 1981 Comp., p. 125.

Chapter 5—Federal Civilian Personnel

[Sec. 1-102 amended by EO 12237 of Sept. 3, 1980, 45 FR 58807, 3 CFR, 1980 Comp., p. 280; EO 12608 of Sept. 9, 1987, 52 FR 34617, 3 CFR, 1987 Comp., p. 245]

1-2. General Provisions.

1-201. Nothing in this Order shall be deemed to terminate or otherwise affect the appointment, or to require the reappointment, of any occupant of any position listed in Section 1-1 of this Order who was the occupant of that position immediately prior to the issuance of this Order.

1-202. Executive Order No. 12076, as amended, is hereby revoked.

Executive Order 12171—Exclusions from the Federal Labor-Management Relations Program

SOURCE: The provisions of Executive Order 12171 of Nov. 19, 1979, appear at 44 FR 66363, 3 CFR, 1979 Comp., p. 458, unless otherwise noted.

By the authority vested in me as President by the Constitution and statutes of the United States of America, including Section 7103(b) of Title 5 of the United States Code, and in order to exempt certain agencies or subdivisions thereof from coverage of the Federal Labor-Management Relations Program, it is hereby ordered as follows:

1-1. Determinations.

1-101. The agencies or subdivisions thereof set forth in Section 1-2 of this Order are hereby determined to have as a primary function intelligence, counterintelligence, investigative, or national security work. It is also hereby determined that Chapter 71 of Title 5 of the United States Code cannot be applied to those agencies or subdivisions in a manner consistent with national security requirements and considerations. The agencies or subdivisions thereof set forth in Section 1-2 of this Order are hereby excluded from coverage under Chapter 71 of Title 5 of the United States Code.

1-102. Having determined that it is necessary in the interest of national security, the provisions of Chapter 71 of Title 5 of the United States Code are suspended with respect to any agency, installation, or activity listed in Section 1-3 of this Order. However, such suspension shall be applicable only to that portion of the agency, installation, or activity which is located outside the 50 States and the District of Columbia.

1-2. Exclusions.

1-201. The Information Security Oversight Office, General Services Administration.

1-202. The Federal Research Division, Research Services, the Library of Congress.

1-203. Agencies or subdivisions of the Department of the Treasury:

- (a) The U.S. Secret Service.
- (b) The U.S. Secret Service Uniformed Division.
- (c) The Office of Special Assistant to the Secretary (National Security).
- (d) The Office of Intelligence Support (OIS).
- (e) The Office of the Assistant Secretary (Enforcement and Operations) (OEO).

Codification of Presidential Proclamations and Executive Orders

(f) The Office of Criminal Enforcement, Bureau of Alcohol, Tobacco, and Firearms.

(g) The Office of Investigations, U.S. Customs Service.

(h) The Criminal Investigation Division, Internal Revenue Service.

1-204. Agencies or subdivisions of the Department of the Army, Department of Defense:

(a) Office of Assistant Chief of Staff for Intelligence.

(b) U.S. Army Intelligence and Security Command.

(c) U.S. Army Foreign Science and Technology Center.

(d) U.S. Army Intelligence Center and School.

(e) U.S. Army Missile Intelligence Agency.

(f) Foreign Intelligence Office, U.S. Army Missile Research and Development Command.

1-205. Agencies or subdivisions of the Department of the Navy, Department of Defense:

(a) Office of Naval Intelligence.

(b) Naval Intelligence Command Headquarters and Subordinate Commands.

(c) Headquarters, Naval Security Group Command.

(d) Naval Security Group Activities and Detachments.

(e) Fleet Intelligence Center, Europe and Atlantic (FICEURLANT).

(f) Fleet Intelligence Center, Pacific (FICPAC).

(g) Units composed primarily of employees engaged in the operation, repair, and/or maintenance of "off line" or "on line" cryptographic equipment.

(h) Units composed primarily of employees of naval telecommunications activities in positions which require a cryptographic authorization.

1-206. Agencies or subdivisions of the Department of the Air Force, Department of Defense:

(a) Office of Space Systems, Office of the Secretary of the Air Force.

(b) Office of Special Projects, Office of the Secretary of the Air Force.

(c) Engineering Office, Space and Missile Systems Organization (Air Force Systems Command).

(d) Program Control Office, Space and Missile Systems Organization (Air Force Systems Command).

(e) Detachment 3, Space and Missile Systems Organization (Air Force Systems Command).

(f) Defense Dissemination Systems Program Office, Space and Missile Systems Organization (Air Force Systems Command).

(g) Satellite Data System Program Office, Space and Missile Systems Organization (Air Force Systems Command).

(h) Project Office at El Segundo, California, Office of the Secretary of the Air Force.

(i) Project Office at Patrick Air Force Base, Florida, Office of the Secretary of the Air Force.

(j) Project Office at Fort Myer, Virginia, Office of the Secretary of the Air Force.

(k) Air Force Office of Special Investigations.

(l) U.S. Air Force Security Service.

(m) Foreign Technology Division, Air Force Systems Command, Wright-Patterson Air Force Base.

Chapter 5—Federal Civilian Personnel

(n) 1035 Technical Operations Group (Air Force Technical Applications Center), Air Force Systems Command, and subordinate units.

(o) 3480 Technical Training Wing, Air Training Command, Goodfellow Air Force Base, Texas.

(p) Office of the Assistant Chief of Staff, Intelligence.

(q) Air Force Intelligence Service.

[Sec. 1-206 amended by EO 12338 of Jan. 11, 1982, 47 FR 1369, 3 CFR, 1982 Comp., p. 120]

1-207. The Defense Intelligence Agency, Department of Defense.

1-208. The Defense Investigative Service, Department of Defense.

Sec. 1-209. Agencies or subdivisions of the Department of Justice: (a) The Office of Enforcement and the Office of Intelligence, including all domestic field offices and intelligence units, of the Drug Enforcement Administration.

(b) The Office of Special Operations, the Threat Analysis Group, the Enforcement Operations Division, the Witness Security Division and the Court Security Division in the Office of the Director and the Enforcement Division in Offices of the United States Marshals in the United States Marshals Service.

[Sec. 1-209 amended by EO 12632 of Mar. 23, 1988, 53 FR 9852, 3 CFR, 1988 Comp., p. 360]

1-210. Agencies or subdivisions of the Department of Energy.

(a) The Albuquerque, Nevada and Savannah River operations offices under the Under Secretary of Energy.

(b) Offices of the Assistant Secretary for Defense Programs.

[Sec. 1-210 amended by EO 12338 of Jan. 11, 1982, 47 FR 1369, 3 CFR, 1982 Comp., p. 120]

1-211. Offices within the Agency for International Development:

(a) The Immediate Office of the Auditor General.

(b) The Office of Inspections and Investigations.

(c) The Office of Security.

(d) The Office of the Area Auditor General/Washington.

1-212. Agencies or subdivisions under the operational jurisdiction of the Joint Chiefs of Staff (JCS).

(a) Intelligence Division (J-2), Headquarters Atlantic Command (LANTCOM).

(b) Atlantic Command Electronic Intelligence Center.

(c) Intelligence Directorate (J-2), Headquarters U.S. European Command (USEUCOM).

(d) Special Security Office (SSO), Headquarters U.S. European Command (USEUCOM).

(e) European Defense Analysis Center (EUDAC).

(f) Intelligence Directorate (J-2), Headquarters Pacific Command (PACOM).

(g) Intelligence Center Pacific (IPAC).

(h) Intelligence Directorate (J-2), Headquarters U.S. Southern Command (USSOUTHCOM).

(i) Intelligence Directorate (J-2), Headquarters U.S. Readiness Command (USREDCOM)/Joint Deployment Agency.

(j) Deputy Chief of Staff/Intelligence, Headquarters Strategic Air Command (SAC).

THE PRESIDENT HAS SEEN
5-19-97

Codification of Presidential Proclamations and Executive Orders

- (k) 344th Strategic Intelligence Wing, Strategic Air Command (SAC).
- (l) Deputy Chief of Staff/Intelligence, Headquarters 15th Air Force, Strategic Air Command (SAC).
- (m) Deputy Chief of Staff/Intelligence, Headquarters 8th Air Force, Strategic Air Command (SAC).
- (n) Strategic Reconnaissance Center, Headquarters Strategic Air Command (SAC).
- (o) 6th Strategic Wing, Strategic Air Command (SAC).
- (p) 9th Strategic Reconnaissance Wing, Strategic Air Command (SAC).
- (q) 35th Strategic Reconnaissance Wing, Strategic Air Command (SAC).
- (r) 306th Strategic Wing, Strategic Air Command (SAC).
- (s) 376th Strategic Wing, Strategic Air Command (SAC).
- (t) Deputy Chief of Staff/Operations Plans, Headquarters Strategic Air Command (SAC).
- (u) The Joint Strategic Target Planning Staff (JSTPS).
- (v) The Joint Special Operations Command (JSOC).

[Sec. 1-212 added by EO 12338 of Jan. 11, 1982, 47 FR 1369, 3 CFR, 1982 Comp., p. 120; amended by EO 12410 of Mar. 28, 1983, 48 FR 13143, 3 CFR, 1983 Comp., p. 139]

1-213. The subdivisions of the Federal Aviation Administration, Department of Transportation:

- (a) Federal Air Marshal Branch, International Civil Aviation Security Division, Office of Civil Aviation Security.
- (b) Units composed of Civil Aviation Security Inspectors in Civil Aviation Security divisions whose responsibilities require Federal air marshal functions.

[Sec. 1-213 added by EO 12666 of Jan. 12, 1989, 54 FR 1921]

1-3. Units outside the 50 States and the District of Columbia.

1-301. The Drug Enforcement Administration, Department of Justice.

Executive Order 12177—Federal Government pension plans

SOURCE: The provisions of Executive Order 12177 of Dec. 10, 1979, appear at 44 FR 71805, 3 CFR, 1979 Comp., p. 464, unless otherwise noted.

By the authority vested in me as President of the United States of America by Section 121(a)(1) of the Budget and Accounting Procedures Act of 1950, as amended (92 Stat. 2541, Public Law 95-595, 31 U.S.C. 68a), and Section 301 of Title 3 of the United States Code, and in order to provide consistency among the financial and actuarial statements of Federal Government pension plans, it is hereby ordered as follows:

1-101. All the functions vested in the President by Section 121(a) of the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 68a), are delegated to the Director of the Office of Management and Budget. The Director may, from time to time, designate other officers or agencies of the Federal Government to perform any or all of the functions hereby delegated to the Director, subject to such instructions, limitations, and directions as the Director deems appropriate.

Chapter 5—Federal Civilian Personnel

1-102. The head of an Executive agency responsible for the administration of any Federal Government pension plan within the meaning of Section 123(a) of the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 68c), except subsection (a)(9) and (b), shall ensure that the administrators of those plans comply with the form, manner, and time of filing as required by the Director of the Office of Management and Budget.

1-103. Subject to the provisions of Section 1-101 of this Order, and in the absence of any contrary delegation or direction by the Director, the Secretary of the Treasury, with respect to the development of the form and content of the annual reports, shall perform the functions set forth in Section 121(a) of the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 68a). In performing this function, the Secretary shall also be responsible for consulting with the Comptroller General.

Executive Order 12196—Occupational safety and health programs for Federal employees

SOURCE: The provisions of Executive Order 12196 of Feb. 26, 1980, appear at 45 FR 12768, 3 CFR, 1980 Comp., p. 145, unless otherwise noted.

By the authority vested in me as President by the Constitution and statutes of the United States of America, including Section 7902(c) of Title 5 of the United States Code and in accord with Section 19 of the Occupational Safety and Health Act of 1970, as amended (29 U.S.C. 668), it is ordered:

1-1. Scope of this Order.

1-101. This order applies to all agencies of the Executive Branch except military personnel and uniquely military equipment, systems, and operations.

1-102. For the purposes of this order, the term "agency" means an Executive department, as defined in 5 U.S.C. 101, or any employing unit or authority of the Federal government, other than those of the judicial and legislative branches. Since section 19 of the Occupational Safety and Health Act ("the Act") covers all Federal employees, however, the Secretary of Labor ("the Secretary") shall cooperate and consult with the heads of agencies in the legislative and judicial branches of the government to help them adopt safety and health programs.

1-2. Heads of Agencies.

1-201. The head of each agency shall:

(a) Furnish to employees places and conditions of employment that are free from recognized hazards that are causing or are likely to cause death or serious physical harm.

(b) Operate an occupational safety and health program in accordance with the requirements of this order and basic program elements promulgated by the Secretary.

(c) Designate an agency official with sufficient authority to represent the interest and support of the agency head to be responsible for the management and administration of the agency occupational safety and health program.

THE PRESIDENT HAS SEEN
5-19-97

5-19-97

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

'97 MAY 16 PM8:02

May 16, 1997

Copied
McGinty
cos

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. McGINTY

CC: ERSKINE BOWLES

RE: CEQ WEEKLY REPORT

BUDGET

The Administration's budget negotiators have delivered a big win for environmental priorities in the recently concluded budget agreement. Highlights include protection for EPA programs that safeguard food, air, and water and funding for programs that support National Parks and other public lands. Environmental groups should be very supportive of these priorities.

One of the most important provisions in the agreement (which the negotiators had to overcome great odds to get) is the availability of \$700 million in money for land acquisition. This pot of money will make possible the completion of the Federal part of the property exchanges for New World Mine and Headwaters that could cost up to \$315 million. We can still expect Congressional opposition on this proposal from members of Congress who have never wanted to give the Administration a win on this issue. However, inclusion of this funding in the budget agreement gives us a much better chance of winning than we had before. We can now frame opposition to this proposal as opposition to saving Yellowstone (in its 125th anniversary year) and protecting rare stands of ancient forests.

Funding for the Everglades is another great victory in this agreement. The Administration should be able to use this provision to draw very positive attention to your efforts to save the Everglades.

Finally, the agreement funds your brownfields initiative and sets aside additional funding for Superfund to accelerate cleanup of toxic waste sites. This provision is a positive step forward in fulfilling the pledge you made last year at Kalamazoo. However, Congress has stipulated that providing the Superfund funding that it depends upon resolving policy disagreements. A political battle may still be brewing here if this means that some members are holding out for unacceptable reauthorization legislation that weakens standards or "pays the polluter."

5-19-97

'97 MAY 16 PM8:02

THE WHITE HOUSE

WASHINGTON

May 16, 1997

Copied
Emanuel
COS

MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL
SUBJECT WEEKLY REPORT

CRIME/DRUGS: Following the President's radio address on juvenile crime, Senator Hatch approached Senator Biden with the possibility of a compromise. The speech to the Police Memorial on Thursday intensified that interest.

Since the House took up the legislation, Senators have been hearing from a number of GOP Governors angry with the restrictive House bill that was drafted. For example, neither Boston nor Texas, two cities that have just passed a tough and comprehensive juvenile bill, would receive funding under the House legislation. However, GOP members are more concerned with the President's aggressive approach to guns. Many of them see our trigger lock and Brady extension as serious issues that threaten their legislation.

Senator Biden's staff called after their conversation with Senator Hatch to sound out what response would be acceptable to the Administration. I presented our goals in four key areas: direct funding for prosecutors and probation officers, direct funding for the after school initiative, sentencing provision, and gun provisions (both stiffer punishment for gun crimes and the Brady extension and trigger lock). We have planned a meeting on the Hill with Senator Biden's staff and I will report on the progress after the meeting.

For next week's Mayor's conference on narcotics, the Justice Department and ONDCP have prepared a joint report on "Meth" for the President to release. The report will show a drop in "Meth" usage and the containment of this drug on the Southwest border. The Drug office gave the report to ABC news so they would get a jump the story before Wednesday.

The Supreme Court should be ruling on the Brady Bill in the coming weeks. We need to have our Agencies and Departments ready to go as soon as the decision comes down. We have 24 hours to frame the debate. The President has already received an options memo in case the court decides against requiring background checks.

IMMIGRATION: The INS reported a record quarter on deportations of illegal immigrants. The numbers indicate that we will set a new record this year. I believe that any effort we initiate on behalf of legal immigrants and their rights must be coupled with a very public effort on combating

THE PRESIDENT HAS SEEN

5-19-97

illegal immigrants. Criminal deportations are expected to increase this year to a record 100,000 and we should proclaim those numbers as our stated objective. I also support an aggressive effort on legal immigrants since it divides the GOP.

The career Justice official who moved over to INS to handle naturalization is supposedly doing a great job. What we need to do now is find someone to take over the enforcement side of the INS. The director of enforcement, Mr. Slattery, has taken an early retirement. This is an opportunity for the Administration to improve INS.

BUDGET: Gene and I convened a meeting of the Budget roll-out team. We have the cabinet talking via satellite into targeted media markets. We need to use the next couple of weeks to pick-up the endorsements of a number of educational groups and health care groups. We are also asking Treasury to run a report on the state by state of the \$500 per child and Higher Education tax cuts. We have never run the state by state numbers.

The tax bill will provide the Democrats their first opportunity to engage the Republicans in a spirited fight contrasting our priorities against their priorities.

Senator Kennedy plans on offering his cigarette tax and children's health proposal to the budget. We will then be forced to take a position on the proposal. I think we should stop this and explain to the Senator our desire to use this proposal for 1998. This leads me to my second point, which is the sooner we develop the 1998 plan, the sooner we can give our party a direction and restrict Senators from running off on their own.

Don and I are bringing a number of staff members together on Monday to develop a year long strategic plan for the Administration. Simultaneously, John Podesta and I will start meeting with the Hill Democrats on a Family First agenda for 1998. Eventually all these activities need to be brought together with one purpose and direction.

Good

Mollen
with
uncan
basis

What does
great for
can he get
more legal
naturalization?

5-19-97

'97 MAY 16 PM 7:37

THE WHITE HOUSE

WASHINGTON

May 16, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *KH for hitty*

SUBJECT: Summary of Cabinet Weekly Reports
May 9 - 16, 1997

*Copied
Higgins
COS*

*P. 13 to Emmanuel
P. 16 to Edna Veste
P. 18 to VP*

DEPARTMENT OF TREASURY

- **IRS Data Systems:** On May 15, the modernization blueprint for improving IRS data systems was released along with a Request for Comments on plans for a private sector contractor to develop the new system. IRS and Treasury are in the process of briefing Congressional staffs, the IRS Restructuring Commission, Washington business representatives, and the press. Treasury continues working to finalize the governance reform measures and to review flexibility options in personnel and procurement. By May 16, IRS reported on steps to address the issue of employee browsing.
- **IRS Commission:** On May 21, the IRS Commission will hold a closed executive session to discuss the Commission's forthcoming recommendations. On June 30, the Commission is expected to announce these recommendations, although it is likely that news of the recommendations will leak shortly after the May 21 meeting. The recommendations are likely to include a new independent board of directors with significant control over IRS governance.
- **Croatia:** On May 13, the U.S. voted in favor of a \$95 million World Bank program loan to Croatia to support reform of the enterprise and banking sectors. The vote for the loan was based upon a State Department determination that there were no specific grounds that Croatia was knowingly harboring war criminals. Senators Lautenberg and Leahy had recommended voting against all IFI lending to Croatia, because of Croatia's poor record of cooperation with the International War Crimes Tribunal.

✓ **Privatization:** On May 15, Treasury presented its privatization plan for Sallie Mae at a shareholders meeting. On May 9, Treasury officials attended the dissident directors' special shareholders meeting. The dissident directors garnered the support of 43 percent of outstanding shares for privatization. The voting period will remain open until May 29.

✓ **Drug Money Laundering:** On May 19, Secretary Rubin will announce proposed regulations designed to reduce laundering of drug money. The regulation would require money remitters nationwide to report wire transfers in excess of \$750. This regulation was previously in place only in NY, where it has succeeded in reducing the flow of money to Columbia by 30 percent.

✓ **D.C. Initiative:** The D.C. Council has voted to accept the proposed MOU, clearing the way for hearings in the House D.C. Subcommittee. Treasury has finalized the legislation implementing your Economic Development Plan and has provided legislative language to Representative Davis.

- **Financial Modernization:** On May 22, Comptroller of the Currency Ludwig will testify on financial modernization before the House Banking Committee. During the first week of June, Secretary Rubin and Under Secretary Hawke will testify before the House Banking Committee and submit Treasury's final legislative proposal. Chairman Leach is under deadline to report a bill out of Committee by June 15, at which time the House Commerce Committee will take up financial modernization.
- **Earned Income Tax Credit (EITC):** On May 8, Deputy Assistant Secretary Scholz testified at the House Ways and Means Committee hearing on the problems with EITC compliance detailed in a report released by the IRS on April 23. Treasury and the NEC are working together to develop a legislative strategy to respond to anticipated Republican efforts to dismantle the EITC under the guise of "reform."
- **Internet Taxation Hearing:** On May 22, Deputy Secretary Summers will testify at a Senate Commerce Committee hearing on the Cox-Wyden "Internet Tax Freedom Act," which would bar new state-level taxes on electronic commerce and would require that the Administration submit to Congress policy recommendations on domestic and international taxation of electronic commerce. Treasury has not yet decided to support the bill itself or give states the opportunity to resolve these issues on their own.
- **Secretary's Schedule:** On May 20, Secretary Rubin will meet with Eli Segal and 5 CEOs to discuss the Administration's Welfare-to-Work initiative

THE PRESIDENT HAS SEEN

5-19-97

DEPARTMENT OF JUSTICE

What's the total funded now?

COPS Grants: On May 14, the COPS Office announced almost \$12 million in grants to 87 previously unfunded agencies to fund the hiring of approximately 180 full-time and 18 part-time officers and deputies in 29 states. On May 17, Attorney General Reno and COPS Director Joe Brann will announce the COPS Office Problem-Solving Partnership grants in Oakland, CA. COPS will award a total of more than \$38 million to 454 jurisdictions nationwide.

- **Blue Shield Fraud:** In U.S. ex rel. Dodson v. Blue Shield of CA, Blue Shield of CA will pay \$12 million to settle allegations that it submitted false claims for payment under its contract with the Health Care Financing Administration (HCFA) to process and pay claims under Part B of the Medicare program. The claims arose from a *qui tam* suit filed by Weldon Dodson, a former employee of Blue Shield's Medicare division in Chico, CA. Mr. Dodson will receive eighteen percent of the U.S. recovery.
- **OK City Bombing Detainee:** On April 21, Abraham Ahmad and his wife filed suit against the U.S., FBI Special Agent Henry Gibbons and various John Does alleging that he was improperly detained because of his ethnicity by the FBI during the days after the bombing of the Alfred Murrah Building in OK City on April 19, 1995. Ahmad, et al. v. U.S., Henry Gibbons and various John Does (W.D. OK). It was ultimately determined that Ahmad had no connection with the bombing.
- **LA Domestic Violence:** For the first time, a defendant in Louisiana was convicted of interstate domestic violence. In September 1996, after enduring years of abuse, the defendant's wife filed for divorce and moved to LA. In November 1996, the defendant traveled from AL to LA with a friend. He ambushed his wife at her mother's home and then left with their three-year-old child.
- **Nazi Gold:** On May 7, DOC released to the public the first interim report of the inter-agency effort launched last year to trace the fate of gold and other assets looted by Nazi Germany from European central banks and from individual victims of Nazi persecution.
- **HAMAS Leader Deported:** In the Matter of Mousa Mohammed Abu Marzook, A41 685 264 (EOIR NY City, April 25, 1997). On May 5, HAMAS leader Marzook was deported and delivered into the custody of Jordanian authorities in Amman. On April 25, Immigration Judge Alan Page had ordered Marzook excludable on terrorism charges based on a settlement agreement worked out between Marzook's and DOJ attorneys following Israel's refusal to accept Marzook's extradition and the determination not to seek indictment here. In the agreement, Marzook renounced his resident alien status and waived other claims.

- **Lautenberg Amendment:** On May 5, Judge Henry L. Hupp dismissed as moot “with leave to amend” the complaint in Association for Los Angeles Deputy Sheriffs v. Block (C.D. CA), a challenge to the constitutionality of the new federal firearms disability that prohibits persons convicted of misdemeanors of domestic violence from possessing firearms. An association of deputy sheriffs claimed that its members who are disabled under the new prohibition are threatened with loss of their jobs. However, the three individual plaintiffs all had their domestic violence misdemeanor convictions expunged and their rights to possess firearms restored.
- **CA Proposition 215:** On April 30, Judge Fern M. Smith denied the government’s motion to dismiss and granted plaintiffs’ motion for a preliminary injunction in Conant v. McCaffrey (N.D. CA), in which a group of CA physicians and patients challenged the government’s announcement that it would enforce the federal Controlled Substances Act against physicians who recommend that their patients use marijuana pursuant to CA Proposition 215. If the physician’s conduct does not constitute a criminal offense, the preliminary injunction enjoins the government from either threatening to revoke or revoking the physician’s controlled substance registration for recommending, approving or discussing the personal use of marijuana with bonafide patients.
- **Campaign Contributions:** Next week, the House Judiciary Subcommittee on Commercial and Administrative Law is planning to hold a hearing on the Apprehension of Tainted Money Act of 1997, which adds new responsibilities to DOJ and the FEC with regard to returned federal campaign contributions. Deputy Assistant Attorney General Bob Litt of the Criminal Division will testify.
- **Flag Desecration:** Last week, the House Judiciary Subcommittee on the Constitution reported out a proposed constitutional amendment that would expressly authorize Congress to prohibit the desecration of the U.S. flag. During the last Congress, then Assistant Attorney General Dellinger testified against a similar amendment on the grounds that it would constitute an unprecedented modification of the Bill of Rights and that it would raise a host of interpretive difficulties in deciding just how much of the First Amendment was intended to be displaced. The proposed amendment in the current Congress differs from the prior version in that it would give the specified legislative power only to Congress, not to the states.
- **Affirmative Action:** Last week, proposed regulations that will revise the structure of affirmative action in federal procurement were published in the *Federal Register*. The proposed regulations, published by the Federal Acquisition Regulation Council but prepared in consultation with DOJ, are now open for comment for 60 days. In recent weeks, OLA and the Civil Rights Division have conducted outreach to interested Senators and Members of Congress, notifying them that the publication of the proposed regulations was imminent.

THE PRESIDENT HAS SEEN

5-19-97

- **FBI Oversight Hearing:** On June 4, the Senate Judiciary Committee has scheduled an oversight hearing on the operations of the FBI. The House Judiciary Subcommittee on Crime has tentatively scheduled oversight hearings on the FBI lab, their handling of the Aldrich Ames case and their handling of the Jewell matter.
- **Attorney General's Schedule:**
 - ▶ On May 17, Attorney General Reno will make a COPS Problem Solving Partnership Grants Announcement in Oakland, CA.
 - ▶ On May 19, Attorney General Reno will make the Commencement address at Boston College's Graduation in Boston, MA. She will also make an Americans with Disabilities Act Announcement at the U.S. Attorney's Office in Boston, MA.
- **Press Inquiries:**
 - ▶ *USA Today* is asking about the jurisdictional line between the Office of Professional Responsibility and the Office of the Inspector General.
 - ▶ There have been numerous inquiries about the announcement on whether to seek the death penalty for the Unabomber suspect.
 - ▶ *The Los Angeles Times* is working on a story about the attorney client privilege dispute between the Independent Counsel and the White House.

DEPARTMENT OF COMMERCE

- **Census 2000:** On May 7, the Senate agreed to a compromise language amendment regarding Census 2000 in its FY97 Supplemental Appropriations Bill. Final Senate passage was postponed pending House action. The compromise language states that Census can do nothing "irreversible" in FY97 with respect to sampling in the decennial census. House Republicans did not attempt to insert sampling language in the House Supplemental Bill.
- **Internet Service:** On May 22, Census Director Riche and OMB Director Raines will announce a new Internet service entitled "Fed Stats." This service links statistics from more than 70 federal agencies.
- **Census Reports:** Upcoming Census Bureau reports include "The Black Population in the U.S.: March 1996," "Household and Family Characteristics: March 1996," "School Enrollment -- Social and Economic Characteristics of Students: October 1995," "1995 Country Business Patterns," "1995 State and Local Government Employment and Payroll Estimates" and "1994 Public Education Finances."
-  **Microchips:** Next week, DOC expects to announce that NIST, Sandia National Laboratories, and SEMATECH have developed a new Standard Reference Material that will support the manufacture of faster, more powerful microchips in the near future.

- **Waste Expo 97:** On May 19-23, ITA is participating in Waste Expo 97 at the GA World Congress Center. Waste Expo 97 will present the latest industrial waste treatment and recycling technologies. ITA will provide business counseling to the 600 American firms and 10,000 visitors expected to attend. Trade Development will work closely with the Commercial Service and the U.S.-Asia Environmental Partnership to assist foreign buyer delegations from Saudi Arabia, Greece, India and a few other countries in Asia.
- **Alameda Contractors:** On May 22, DOC will co-sponsor the "Access to Capital" Workshop/Networking Seminar in Culver City, CA. This seminar will bring prime contractors together with potential subcontractors concerning the \$1.8 billion Alameda Corridor Public Works Project.
- **Northern Plain Flood Recovery:** On May 19-21, Deputy Assistant Secretary Straub will accompany Director Witt to Grand Forks, ND, to meet with local business owners, leaders and local officials.
- **China:** BXA is examining the issue of forced technology transfers -- demands for technology in exchange for market access -- to China. BXA is discussing the matter with Foreign Commercial Service officers stationed in China, U.S. companies currently active there, and the U.S.-China Business Council.
- **Universal Service:** On May 8, the FCC issued its order on universal telecommunications service. The order sets forth rules to promote competition and maintain basic telephone rates (no large increases) while funding significant discounts to public and non-profit schools and libraries for purchases of telecommunications services, Internet access and internal connections, through what has been called the "E-rate" or "Education Rate."

DEPARTMENT OF LABOR

- **AR Explosion:** OSHA personnel are continuing to maintain a presence at the BPS Company in West Helena, AR, the site of a May 9 fire and explosion that killed three firefighters who were responding to the incident. The fire is continuing to burn, making it difficult for personnel to go into the affected area. Also, the site is heavily contaminated with chemicals, which will require maximum personal protective equipment for cleanup workers and investigators. OSHA is working closely with the EPA and other government agencies on site.
- **Pension Security:** On May 15, Secretary Herman participated in a press round table with Attorney General Reno to announce a new multi-agency initiative in the area of pension abuse. This event highlighted recent cases brought against defined contribution pension plans across the country.

- **CO Labor Safety Citations:** On May 16, OSHA issued egregious willful citations to CF&I Steel, L.P., a subsidiary of OR Steel Mills, Inc. with a penalty of \$1,115,500. CF&I is a steel manufacturing foundry located in Pueblo, CO. OSHA plans to issue five citations for a lack of fall protection while working on unguarded platforms and three addition citations for unsafe electrical components on cranes, failure to properly inspect and maintain fire extinguishers and the lack of flash protection on oxygen-acetylene torches. In previous inspections of this facility, concerns have been expressed by Congressman McInnis.
- **GM Strike:** On May 13, about 8,500 members of Local 717 of the International Union of Electronic Workers walked out in a local contract dispute at the GM Delphi Packard subsidiary in Warren-Youngstown, OH. The struck facilities produce wiring harnesses and electronic components for GM and other automakers. Negotiations have been taking place for some time, and resulted earlier this year in a tentative agreement which IUE members rejected. The principal issues are job security, retirement incentives, and the wage/benefit structure for newer employees. The talks resumed on May 13.
- **UAW-GM Strikes:** Strikes by nearly 9,000 UAW members continued at two GM assembly plants. Staffing levels and related matters are the principal issues in the five-week strike by some 3,500 workers at the company's OK City auto assembly plant and the three-week walkout by some 5,400 employees at its Pontiac, MI, truck assembly facility. Talks are continuing at both locations, and there is speculation that a parts plant will be the UAW's next strike target.
- **Chrysler Strike:** On May 9, UAW members ratified (1,009-182) a local contract reached two days earlier at Chrysler's Mound Road engine plant in Detroit, MI, ending a month-long strike by 1,800 workers which resulted in the idling of more than 20,000 additional employees at the company's assembly and parts plants in the U.S., Canada, and Mexico.
- **Goodyear Strike:** On May 8, strikes by nearly 15,000 Steelworker-represented employees ended at ten Goodyear Tire & Rubber Company plants in eight states as members approved by wide margins a six-year master agreement covering nine of those sites and a longer contract at its Kelly-Springfield facility in Fayetteville, NC. The master agreement, which covers more than 12,000 workers, includes improvements in wages, benefits and employment security.
- **CA Nurses Strikes:** No talks have been reported and none are scheduled in the dispute between Kaiser Permanente and the CA Nurses Association. The strike by more than 200 Red Cross nurses and medical assistants represented by the Service Employees Union continues at blood donor sites in Los Angeles and Orange, CA.

- **United Airlines:** On May 8, the Association of Flight Attendants (AFA) issued a statement citing that the parties agreed to a three week recess to allow AFA to consider a comprehensive Company proposal and look forward to resuming negotiations in Honolulu, HI, in early June. The AFA intends to continue its informational picketing to bring to public notice its top priorities in those negotiations -- raises, retirement and respect. On May 16, airports in Orange County and San Francisco, CA, and Philadelphia, PA, were scheduled to be the sites of the picketing and the parent UAL Corporation's shareholders' meeting in Washington, D.C., is targeted for picketing on May 21.
- **DeCoster Eggs:** Next week, Secretary Herman will travel to Boston, MA, to announce the settlement in OSHA's case against DeCoster Eggs, the largest producer of brown eggs in the world. DOL cited DeCoster last summer for egregious working conditions on its egg farm in ME, and proposed \$3.6 million in penalties. This case has drawn significant national and regional press.

DEPARTMENT OF TRANSPORTATION

- **Fire Suppression and Detection:** On May 14, the FAA announced plans to require airlines to install fire detection and suppression systems on passenger planes. The requirement would go into effect this year, and mandate the new systems within three years. This is a more aggressive schedule than that voluntarily announced by the airlines.
- **Continental Investigated:** On April 15, oxygen generators were shipped illegally on a Continental passenger flight from Los Angeles, CA, to Houston, TX. This incident involved 7 oxygen generators, which were shipped with safety caps on making a ValuJet repeat impossible. But caps on or off, it's been illegal to do so since May 26, 1996. The FAA is investigating and penalties will be severe.
- **UPS Pilots Strike:** Some 2,000 UPS pilots, represented by the Independent Pilots Association, voted overwhelmingly to authorize a strike if wage negotiations with UPS are not settled soon. The Teamsters Union has promised to honor the picket lines if a strike occurs; thus the strike by pilots could shut down the entire \$25 billion company. UPS asked the National Mediation Board (NMB) to release it from negotiations; if NMB does that, a 30-day cooling off period ensues, after which the pilots are free to strike unless you appoint a Presidential Emergency Board.
- **Secretary's Schedule:**
 - ▶ On May 17, Secretary Slater will deliver the commencement address at the University of Arkansas Law School in Little Rock, AR.
 - ▶ On May 18, Secretary Slater will speak at the baccalaureate ceremony of Hall High School in Little Rock, AR.
 - ▶ On May 21, Secretary Slater will travel to the Coast Guard Academy in New London, CT, to give the commencement address.

THE PRESIDENT HAS SEEN

5-19-97

- **America to Buckle Up Children:** On May 19, Secretary Slater, Attorney General Reno and Administrator Martinez will kick off "Buckle Up, America! Week" at an Operation ABC checkpoint. More than 1,000 state and municipal law enforcement agencies will be mobilized.
- **B-747 Blast:** On May 17, the FAA and the United Kingdom's Civil Aviation Authority are combining their assets to study the blast effects and potential mitigation methods on commercial wide-body aircraft. A jointly acquired pressurized 747-100 will be used in the tests, which will take place about 70 miles outside of London. The goal is to study measures that could protect civil aircraft from explosions in luggage.
-  **FedEx and Vietnam:** FedEx has received permission from the U.S. Government to fly into Vietnam. FedEx is the only U.S. airline with permission to fly into Vietnam since the war ended in 1975. Air Service will be handled on an ad hoc charter basis. No date has been set to begin service.
- **Brothers to the Rescue:** DOT representatives attended a security meeting with State, NSC and JCS to discuss the plans for a flotilla scheduled for May 17 by the Democracia Movement. The Democracia Air Group is planning to participate with approximately 12 aircraft in support of a flotilla with approximately 23 boats.
- **Cummock v. Gore:** Commissioner M. Victoria Cummock, a member of the White House Commission on Aviation Safety and Security, has sued the Vice President, the Chairman of the Commission, and Secretary Slater, alleging that the Commission acted in violation of the Federal Advisory Committee Act (FACA), and that the Commission's Final Report failed to properly reflect her dissent from the Report.
- **LA Airport:** The Air Transport Association, the U.S. airlines' trade association, and Los Angeles, which operates LA International Airport, are seeking judicial review of DOT's revised policy statement on airport rates and charges, which was published in the *Federal Register* on June 21, 1996. The airlines are challenging the policy statement provision that allows airports to use any reasonable method for setting fees for non-airfield facilities and does not require such fees to be based on historic cost. Los Angeles is challenging the provision that requires landing fees to be based on the historic cost of airfield assets and bars the use of fair market value.
- **Disaster Assistance:**
 - **ND:** Total estimates of costs are still being developed. The predicted level at Devil's Lake -- 1,444 feet above sea level -- will essentially close all routes in the immediate vicinity of the lake despite previous projects to raise grades. ND 57, the important NHS route connecting the Devil's Lake Sioux Indian Reservation with the city of Devil's Lake, is closed indefinitely, requiring about an hour-long detour. The ND DOT has estimated future grade raises and other repair work in

the Devil's Lake basin at approximately \$35 million. They have requested a quick release of \$30 million in ER funds based on those estimates.

- ▶ **SD:** SD has requested \$14.8 million in ER funds for repairing damage to Federal-aid highways caused by flooding in April.
- ▶ **MN:** Although MN is still developing its request for ER funding associated with the April flooding, FHWA Headquarters has received MN's request for ER funds for repairing three Interstate safety rest area buildings damaged by fire in January. Total estimated cost of the damage is \$1.3 million.
- ▶ **OH:** FHWA has received OH's request for \$20 million in ER funds for repairing damage to Federal-aid highways caused by flooding.

UNITED STATES TRADE REPRESENTATIVE

- **FTAA Ministerial:** On May 15-17, Ambassador Barshefsky will attend the FTAA Trade Ministerial Meeting in Brazil. The key issue for the Ministerial will be on timing for launching negotiations on the FTAA. The U.S. and most others want to launch the negotiations at the Santiago Summit of the Americas, scheduled for 1998. Also under discussion will be how to address labor and the environment in the context of the FTAA.
- **APEC Ministerial:** On May 8-10, Ambassador Barshefsky attended the APEC Trade Ministers Meeting in Montreal, Canada. The Trade Ministers from the 18 APEC economies agreed to measures that expand APEC's role as a catalyst for global market-opening initiatives. Motivated by last year's success in spurring the Information Technology Agreement (ITA), APEC Trade Ministers agreed to take the lead in pursuing an "ITA II" initiative to expand trade in this area. Additionally, APEC Ministers agreed to push for a financial services agreement in the WTO, established an expedited process for identifying and pursuing new sectoral market-opening initiatives.
- **Food Safety:** Late last week, a WTO panel issued a draft report finding in our favor in the U.S. case against the EU import ban on meat produced from animals that are treated with growth hormones. Since the report is still in draft, the panel is free to modify it before the final report is issued. This report will be a significant victory for U.S. agricultural interests, because it affirms that food safety measures must be based on scientific principles. The EU is likely to appeal the findings to the WTO Appellate Body. With this decision, the U.S. has now been successful in the first four cases that it has taken through the WTO panel process. Five additional U.S. complaints are currently pending before WTO panels.

THE PRESIDENT HAS SEEN

5-19-97

SMALL BUSINESS ADMINISTRATION

- **Disaster Loans:** Over the last week, SBA approved loans totaling \$13.6 million to ND, MN, and SD. As of May 14, SBA has issued 24,754 applications to disaster victims in ND and has approved 643 loans totaling \$11.1 million. In MN, SBA has issued 9,066 applications and approved 357 loans totaling \$6.6 million. In SD, SBA has issued 5,114 applications and approved 318 loans totaling \$4.9 million.
- **7(a) Business Loan Program:** During the month of May, SBA's flagship 7(a) business loan program has experienced a \$1 billion run on its available credit authority. The "run on the bank" came as the SBA waited for the end of a statutory Congressional review period before implementing a cap on 7(a) loans. On April 15, Administrator Alvarez announced that she would place a \$500,000 loan cap on the 7(a) program. During the Congressional review period, use of the credit authority exploded as some lenders rushed through numerous large loan deals in advance of the effective date for the cap. SBA is now reviewing its options for dealing with a likely shortfall before year end. --

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **MO Medicaid Waiver:** On April 21, MO submitted its concept paper outlining a revised section 1115 waiver proposal to HHS. During that week, HHS met with MO to discuss the state's proposed changes. MO is proposing to expand eligibility to children up to 18 and with family incomes up to 300 percent FPL. MO has indicated that it cannot expand eligibility without a guaranteed tax base, and there are questions regarding whether MO has an improper provider tax. HCFA is reviewing the concept paper and the provider tax issues. It is unclear whether MO has begun drafting its revised proposal, or if they intend to wait until HHS determines whether there is an improper provider tax.
- **Flu Shots:** Fifty eight percent of the nation's elderly received their flu shots in 1995, an eight percent increase over 1993. Medicare coverage for flu shots for the elderly began in 1993, and nearly all of the recipients were Medicare beneficiaries. These figures, based on a CDC survey, reveal that the we are approaching our goal of 60 percent coverage for those 65 and older by 2000.
- **MS AIDS Funds:** In the next three months, MS AIDS Drug Assistance Program will exhaust its funds. The state, which allocates funds in this formula grant program, will reduce total ADAP enrollees from 808 to 190 and the number of drugs in the formulary from 14 to 5. On May 16, letters were mailed to over 600 patients informing them that they are being dropped from the program. A major factor in the depletion in funds has been the addition of protease inhibitors to the formulary. The MS Health Department has requested state support and is establishing a hotline for information about possible sources of drugs. HHS has offered technical assistance.

THE PRESIDENT HAS SEEN

5-19-97

- **TX Medicaid Privatization:** On May 13, TX HHS Commissioner Michael McKinney was notified that TX may proceed with its re-engineering and privatization program by issuing requests for offers for private contractors to develop proposals to run the state's proposed integrated eligibility system, but that only public employees may be used to determine who is eligible for Medicaid and Food Stamps.
- **CO Medicare HMO:** The American Association of Health Plans, representing several Denver HMOs, has filed a temporary restraining order and request for a permanent injunction to prevent HCFA from proceeding with its Medicare Competitive Pricing demonstration. On April 1, HCFA issued a solicitation package to submit a bid price for providing a standard benefit package for Medicare HMO enrollees in 1998. That was due May 15.
- **New Anti-Fraud Initiative:** In the two years since you launched the anti-fraud initiative as a demonstration project, Operation Restore Trust (ORT) has generated nearly \$188 million in restitutions, fines, settlements and other identified overpayments. ORT has also led to 74 criminal convictions, 58 civil actions and the exclusion of 218 fraudulent health care providers. While the initial demonstration has focused on five states, ORT will be expanded over the next two years to cover 12 additional states. On May 20, HHS will announce the expanded geographic scope of the program, new specific anti-fraud and abuse targets, and an enhanced reporting hotline.
- **Human Cloning:** On May 17, the National Bioethics Advisory Commission will meet to continue its preparation of a report to you on the legal and ethical issues raised by the prospect of cloning of human beings. The Commission is on schedule to complete its report by the end of this month, in accord with the 90-day deadline that accompanied its charge.
- **NY Medicaid Waiver:** HHS met with the NY delegation to discuss the outstanding issues related to the state's section 1115 Medicaid demonstration proposal. Although final agreement on the demonstration was not reached, some outstanding issues were resolved and NY's fundamental concerns on the remaining points of disagreement were clarified.
- **Mad Cow Disease:** HHS has approved and forwarded for review by OMB a final rule concerning the prevention of Bovine Spongiform Encephalitis (BSE) or "mad cow" disease. The rule will ban the use of animal protein -- bone meal and similar products -- derived from most mammalian tissues in the feed of cattle or other ruminants.
- **Lou Gehrig's Disease:** On May 8, an FDA advisory panel voted that available scientific data do not support the use of Myotrophin, a drug developed by Cephalon, Inc. and Chiron Corporation, in the treatment of ALS or "Lou Gehrig's Disease," a progressive and incurable degeneration of the central nervous system and muscle function that results

THE PRESIDENT HAS SEEN

5-19-97

in death. In the U.S., an average of five to six thousand people are diagnosed with ALS each year. One study showed modest, but statistically significant, evidence of effectiveness. A second study failed to show a significant effect.

- **AK Approves Tobacco Tax Hike:** AK's House and Senate have each approved a bill that increases state taxes on cigarettes by 71 cents per pack. Governor Knowles will sign the bill into law, raising AK's cigarette tax to \$1 per pack in October, 1997. AK has one of the highest smoking rates in the nation.
- **Fraud Control Grants:** In March 1997, DOJ published an announcement in the *Federal Register* detailing the requirements to apply for Federal funding under the Health Care Fraud and Abuse Control Program, the interagency anti-fraud program established by last year's Kassebaum-Kennedy health insurance law. Approximately \$3.5 million is available in FY97 to support approved state and local awards. The funds will be awarded by May 30.
- **Secretary's Schedule:**
 - ▶ On May 20, Secretary Shalala will speak at the U.S. Conference of Mayors/ONDCP Drug Summit. The Secretary will also meet with Democratic members of the Senate Labor and Human Resources Committee and new Democratic members of Congress.
 - ▶ On May 21, Secretary Shalala will give the commencement address at the University of MD-Baltimore County.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Bad Landlords Campaign:** Secretary Cuomo with the U.S. Attorney for Northern CA Michael Yamaguchi, announced the filing of a 12 count civil complaint against Mr. Bruce Rozet and Mr. Dean Earl Ross, centering on the federal Anti-kickback Act. Mr. Rozet, who has attracted attention in the past as an irresponsible landlord with political ties to democratic officials owns more than 230 HUD controlled and/or subsidized properties in Northern CA and NV, which receive more than \$71 million in federal assistance.

✓
cc: Rahim
Samuel
Home-Buyer Fairs: The fairs in Long Island, NY, Atlanta, GA, Dallas, TX, and Chicago, IL, attracted thousands of people who participated in educational seminars and received special certificates reducing down payment costs when buying HUD homes. The participants in the Long Island fair received certificates to reduce the cost of the down payment to \$500 when purchasing a HUD home in the NY metropolitan area.

- **Grant Review:** Secretary Cuomo ordered the Inspector General to review a \$24.5 million grant awarded to a firm headed by former D.C. Council Member, and former HUD Assistant Secretary, H.R. Crawford. The grant was awarded for the demolition of the District's Ridgecrest Heights apartment complex and construct mixed income town houses in its place. On May 9, the *Washington Post* reported on this grant.
- **AR College Station:** Secretary Cuomo, Secretary Slater and Governor Huckabee signed a cooperative agreement pledging an unprecedented, community-based effort to rebuild College Station, AR. Under this agreement, HUD will provide \$150,000 to help bring two, full-time experts to work on the rebuilding effort side-by-side with the community for two years. This effort is to focus on addressing the community's needs for infrastructure improvements, affordable housing, rehabilitation of damaged properties and the rebuilding of community institutions destroyed by the March 1 tornado.
- **Public Housing Reform Bill:** On May 14, the House passed the bill after defeating an Administration supported substitute bill offered by Representative Kennedy by a vote of 163-261. Kennedy's substitute would have built in protection for the poorest public housing tenants. While HUD supports the need for public housing reform legislation, it has serious concerns about the House passed bill.
- **Secretary's Schedule:** On May 19, Secretary Cuomo will participate in an interview with David Broder on the Administrations's second term urban agenda.

VETERANS AFFAIRS

- **Medicare Reimbursement:** Progress on VA's legislation for this pilot program is delayed while HCFA, OMB and VA iron out an MOU for implementing the pilot. VA's major disappointment regarding the HVAC bill is that it omits authority for VA to conduct Medicare HMOs under the pilot program. VA is also concerned about CBO's surprisingly high -- \$50 million -- PAY-GO estimate for the pilot.
- **Sexual Harassment:** Congressional and media interest in VA's "zero-tolerance" policy toward sexual harassment in the workplace continues - primarily from the viewpoint that VA has not dealt harshly enough with a few senior managers accused of harassment. VA is responding to follow-up questions from the House Veterans' Affairs Committee's April 17 hearing, and preparing for a Senate Veterans' Affairs Committee hearing scheduled for May 15.
- **Smoking-Related Diseases:** At the May 14 House Veterans' Affairs Subcommittee on Benefits' hearing, VA expects significant opposition to the Administration's legislative proposal to disallow compensation claims for disabilities based on illnesses resulting from tobacco. VA's critics will argue that, since the Administration considers tobacco

addictive, it should not oppose paying compensation to those who became addicted during service, especially when the Armed Forces were providing free cigarettes and condoning (if not encouraging) smoking during breaks.

- **Cemetery Grants:** On May 8, VA announced the award of grants to NH and WI for the establishment of state veterans cemeteries. The grants provide funding on a 50-50 basis to help develop burial areas, roadways and administrative and maintenance buildings. The 102-acre cemetery in Boscawen, NH, will service approximately 140,000 veterans living within a 75-mile radius. The 105-acre cemetery in Union Grove, WI, will serve 280,000 veterans in its 75-mile service area.
- **National Drug Formulary:** On May 9, VA announced the implementation of a national drug formulary to provide system-wide consistency in pharmaceutical dispensing policies and practices, effective June 1. The formulary contains prescription medications, over-the-counter drugs, and medical and surgical supplies. The net effect to VA will be better patient care at lower prices.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **U.S. Conference of Mayors:** On May 20-21, Director McCaffrey will participate in the ONDCP/U.S. Conference of Mayors National Forum on Drug Control. Co-hosted by Director McCaffrey and Mayor Daley of Chicago, IL, a total of 125 participants including mayors, police chiefs, and prosecutors will convene to focus on drugs in our urban centers. The objective is to educate summit participants on the need for an overarching national drug control strategy, using the 1997 National Drug Control Strategy as a framework.
- **Drug Treatment Trial:** On May 23, Director McCaffrey will visit Guilford Pharmaceutical, Inc. in Baltimore, MD, to observe a cocaine medications development program which could lead to trials of an antagonist drug treatment for cocaine abuse within the next three years.

SOCIAL SECURITY ADMINISTRATION

- **SSI Annual Report:** On May 30, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires the Acting Commissioner Callahan to submit a comprehensive report to you and Congress on the SSI program. The report will include program data over a 25 year period related to (1) claims intake/dispositions, (2) demographics about recipients, program costs, and prior enrollment in other benefit programs, (3) projections of participation rates and costs, (4) redeterminations, continuing disability reviews and work incentives, (5) administrative costs and (6) State supplementary program operations.

THE PRESIDENT HAS SEEN

5-19-97

- **Noncitizen Legislation:** SSA has begun implementation planning for legislative changes that would result from the provision in the budget agreement regarding Supplemental Security Income (SSI) eligibility for certain noncitizens who would otherwise lose eligibility this summer under the 1996 Welfare Reform law. SSA is identifying operational and implementation issues that need resolution and developing legislative language. At the same time the Agency is making adjustments to its implementation plans for the existing Welfare Reform legislation.
- **Nursing Home Overpayments Report:** GAO is expected to release this report in response to requests by the Subcommittee on Oversight and the Subcommittee on Human Resources, House Ways and Means Committee. In this review, GAO examined the incidence of overpayments made to SSI recipients in nursing homes, and determined the extent of overpayments, how successful SSA's actions have been in detecting and preventing such payments and how SSA can better prevent overpayments. SSA estimates that overpayments to individuals in nursing homes may exceed \$100 million annually and that legislative and administrative efforts to prevent these overpayments or detect them in a timely manner have had limited success. GAO recommends that the Secretary Shalala and Acting Commissioner Callahan work to improve data matching agreements with the States and that SSA determine the feasibility of using State data for automatic benefit reductions for nursing home admissions.

DEPARTMENT OF INTERIOR

- **Royalty-in-Kind:** Minerals Management Service (MMS) has been conducting a series of meetings and workshops to discuss the feasibility of taking the federal government's royalty share of oil and gas production in product form rather than in a cash payment. The proposed Royalty-in-Kind options are intended to: simplify the royalty collection process; decrease administrative costs; realize fair market value for the products; provide certainty in royalty valuation; decrease administrative burdens and minimize litigation.
- **Royalty Settlements:** Within the next two weeks, the Project on Government Oversight (POGO) will issue a report criticizing DOI's and MMS's negotiated settlements on royalty issues. These settlements are the results of alternative dispute resolution efforts to resolve long-standing royalty payment disputes with individual companies.
- **Oil Valuation:** On May 13-14, MMS staff met with representatives from LA, the Independent Petroleum Association of America and the Independent Association of Mountain States to discuss amending the Federal crude oil valuation proposed rule. Because of comments received during the public meeting held in April, MMS intends to publish a further proposed rulemaking addressing concerns of small independent producers.

- **Cherokee Nation:** Since February 25, the Cherokee Nation, the second largest tribe in the U.S., has been embroiled in an intra-tribal dispute. The controversy began when the director of the Cherokee Nation marshal service and his marshals executed a search and seizure warrant on Chief Joe Byrd's office as part of an investigation into alleged misappropriation/misuse of government funds. The marshals were allegedly "fired" by Chief Byrd which brought the Nation's Judicial Tribunal into the dispute. As a result of the turmoil, BIA took control of the law enforcement program. DOJ and BIA have been working to get all sides together to try to resolve the dispute.
- **Missile Testing:** In the next two weeks, the Navy is expected to release its draft environmental impact statement for Pacific Missile Range Facility testing of theater and area ballistic missile defense. The document probably will disclose proposals to launch ballistic missiles from the HI Islands National Wildlife Refuge and Midway and Johnston Atoll national wildlife refuges as a part of the Theater Ballistic Missile Defense Program.
- **Korea Trade Sanctions:** The FWS has opened a comment period, which will end August 4, on a petition submitted by NGOs to certify the Republic of Korea for undermining the effectiveness of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The petition alleges that Korean nationals are engaging in the illegal trade in and taking of bears and bear parts in many areas of the world. Should Secretary Babbitt decide to certify Korea, you will have 60 days either to order the imposition of trade sanctions or to report to Congress why you have not done so.
- **Water Compacts:** The governors of AL, FL, and GA have signed the interstate compacts for the Apalachicola-Chattahoochee-Flint and AL-Coosa-Tallapoosa river basins to be submitted to Congress for ratification within the next few weeks. The purpose of the compacts is to equitably apportion water in the two basins.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Potatoes:** On May 9, USDA announced that it will pay potato growers to divert 1996-crop fresh Irish round white and russet potatoes to food recovery and feeding programs or for use as livestock feed in an effort to help alleviate the problems facing the potato industry.
- **Dairy Update:** Last week, the LA House of Representatives approved a bill to permit the state to join with other southeastern states to form a Southeast Interstate Dairy Compact. LA is the first of the 15-state group attempting to develop a compact to set minimum milk prices in the Southeast. The compact, patterned very closely after the Northeast Interstate Dairy Compact, must be approved by the other state legislatures and Congress.

5-19-97

- **Disaster Assistance:** USDA has purchased over 223,000 lbs of cheese and about 442,000 lbs of canned and frozen meats, juice, fruits, vegetables, and other foods thus far this month to assist Midwest disaster victims. Another 330,000 lbs of food is scheduled for delivery soon to disaster areas in MN, ND, and SD.
- **Vitamin E:** On May 6, *NBC Nightly News* ran a story stating that a USDA study shows an extra 200 milligrams of vitamin E every day can help reduce infections in older people.
- **FL School Lunch:** Through a cooperative agreement signed April 29, USDA is working with Florida A&M University on a project regarding opportunities for limited-resource producers to supply FL's school lunch program with local produce.
- **Looting:** On May 20, the U.S. Attorney will announce in Salt Lake City, UT, sentences of nine individuals for looting Polar Mesa Cave in the LaSal Mountains. The cave is a valuable archaeological site and was occupied by Native Americans periodically from about 7,500 years ago to 700 years ago. This is believed to be the largest Archaeological Resources Protection Act case in the history of the Forest Service.

DEPARTMENT OF ENERGY

- **CA Utility Solar Energy Purchase:** Secretary Peña congratulated the Sacramento Municipal Utility District (SMUD) for enabling a major breakthrough in the cost of solar power. Building on the technological success of DOE's solar energy program, SMUD announced their most ambitious purchase of photovoltaics to date: 10 megawatts over five years bringing the cost to less than \$3/watt by 2002. This will reduce solar electricity 8 to 10 cents per kilowatt-hour, SMUD's current price for residential electricity.
- **Brookhaven National Laboratory:** Based on a critical oversight report, Secretary Peña has terminated the laboratory management contract at BNL and appointed an interim DOE management team. They have reached an agreement with the Suffolk County Department of Health on startup of the tritium remediation system. This system, which will pump contaminated ground water from the leading edge of the contamination to slow the progression of the tritium, is scheduled to go into full operation next week.
- **ID Environmental Project:** Discussions are currently ongoing within DOE regarding the future of the Pit 9 environmental soil remediation project at the ID National Engineering Lab. Lockheed Martin Idaho Technologies has extended the schedule for completion of this project by two years. The subcontractor is concerned about cost overruns and that the project may be in jeopardy. The situation has received significant media attention.

- **Wheelchair Technology:** *CBS This Morning* is working on a story on Oak Ridge National Lab-developed technology that allows for modern wheelchairs to have "spin-on-itself" turning capability.
- **Energy Outlook 1997:** On May 6, The International Energy Outlook 1997 was released to the public. This annual report presents an assessment of the outlook for international energy markets through 2015 and includes specific projections of energy use, carbon emissions and oil production. In the projection, world energy consumption increases by 54 percent between 1995 and 2015, led by growing demand in the emerging economies of Asia. The report also projects a 3.5 billion metric ton increase in carbon emissions, 61 percent higher than the 1990 level. By 2000, carbon emissions in the non-industrialized world surpass those in the industrialized nations. Natural gas is projected to be the fastest growing primary energy source over the forecast period and, by 2015, gas demand exceeds coal consumption on a worldwide basis.
- **Costa Rica:** On May 6-7, Secretary Peña met with Central American Energy Ministers and made progress on electricity grid interconnection in three areas: DOE agreed to meet with financing organizations to explore the establishment of a guarantee mechanism to help catalyze power project investments, to continue to assist in the establishment of regulatory and legislative frameworks and to work on technical issues including line reliability and trade. Progress was also made on DOE support for the Costa Rican Electric Transport Initiative. DOE will help to develop a strategy to obtain financial resources and disseminate information as well as co-sponsor an upcoming electric transportation forum.

DEPARTMENT OF EDUCATION

- **Education Technology Event:** On May 21, Secretary Riley is hosting a Capitol Hill reception in conjunction with a conference for Technology Challenge Grant recipients. Congressmen Sawyer and Houghton and Senators Snowe and Rockefeller will attend.
- **Blue Ribbon Schools:** On May 20, DOEd will notify Members of Congress of designations of Blue Ribbon Schools. DOEd is also planning a satellite downlink of remarks by Secretary Riley for use by Members at events at schools in their districts.
- **CA Trip:** On May 29 - June 1, Secretary Riley will travel to CA to meet with higher education officials regarding teacher preparation, address a meeting of West Coast college presidents and give the commencement speech at the University of CA at Stanislaus.
- **FL School Construction:** On June 9, Secretary Riley may join Senator Graham for school construction related activities in Palm Beach, FL.

- **Math/Science Test Results:** On June 10, DOEd will release the 4th grade science and math results for the U.S. on the Third International Mathematics and Science Study. Previously, the results from the 8th grade test were released. Preliminary discussions indicate that the 4th grade test results may be much better than the 8th grade results.

ENVIRONMENTAL PROTECTION AGENCY

- **Community Right-to-Know:** Next week, Administrator Browner will announce the most recent data about toxic chemicals in communities under the Toxic Release Inventory (TRI) program. The TRI program is the centerpiece of EPA's effort to ensure the public's right-to-know about the environment at a community-level and consists of annual information about releases of toxic chemicals, submitted to EPA and the states by facilities covered by the law.
- **Administrator's Schedule:**
 - ▶ On May 17, Administrator Browner will address the Society of Environmental Journalists' regional meeting in Cleveland, OH.
 - ▶ On May 28, Administrator Browner will address the New England Circle in Boston, MA.

GENERAL SERVICES ADMINISTRATION

- **Good Neighbor/Urban Revitalization:** Last week, Acting Administrator Barram went to Chattanooga, TN, to sign a "Good Neighbor" MOU with the Mayor, local officials and business groups. The MOU commits GSA to helping with their continuing efforts to make Chattanooga a vibrant and safe City for businesses and residents. This makes the 16th "Good Neighbor" MOU signed by GSA with national and local organizations since September, 1996. The Administrator announced that GSA's Southeast Region will purchase an electric-powered bus, manufactured in Chattanooga, for use in Atlanta, GA.
- **MO Courthouse Sale:** On May 8, GSA signed an MOU to sell the U.S. Courthouse in St. Louis, MO, to the City. The sale price is \$2.2 million to be paid over a 20-year period. The sale helps the City which needs improved court facilities.

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

May 16, 1997

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT - May 10 to May 16

copied
Echaveste
COS

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

BUDGET

- This week we met with several Small Business leaders to discuss the budget. The community seems to be optimistic about the balanced budget agreement, but there is tremendous skepticism about our ability to deliver on it in the end. Of course, these meetings took place before Friday's budget announcement. There is also concern that the budget will stay balanced for three years and then fall apart in an election year, when the tough decisions need to be made. They also suggested that the capital gains tax cut could be targeted to family owned businesses rather than a straight reduction in the rate.
- Chris Jennings, Gary Claxton, and OPL staff met with representatives of the American Hospital Association to discuss Provider Sponsored Organizations (PSO), purchasing coops, and Medicare and Medicaid budget issues. As the budget process continues on the Hill, AHA continues to urge the Administration's support for PSO legislation and to lobby the Hill not to increase the \$100 billion in Medicare saving. The children's hospitals and large state hospital associations are working hard to urge their members to contact the Hill on Disproportionate Share Hospital Payments (DSH).

EDUCATION

- This week we met with Miriam Cruz of Equity Research to discuss her idea of reaching out to religious leaders for support on America Reads and other aspects of your education initiative. We also discussed pulling together a meeting of community leaders to discuss the National Standards initiative and its impact on the Hispanic community.

HEALTH INSURANCE FOR CHILDREN

- OPL attended a series of children's health coalition meetings. These groups continue to be divided on approaches to Medicaid and the various pieces of legislation on the Hill.

THE PRESIDENT HAS SEEN

5-19-97

WELFARE TO WORK

- OPL staff has been working with the Welfare to Work Partnership and DPC to recruit additional businesses and associations who will meet your challenge to hire Welfare recipients for next weeks event. Working with Betsy Meyers at SBA and the Women's Office, we have recruited more than 20 women business committed to this effort.

CONSTITUENT AND OTHER ISSUES

AFFIRMATIVE ACTION

- OPL staff was invited to make a presentation at this weeks Chiefs of Staff breakfast regarding the Administration's proposal to reform affirmative action procurement. These proposed regulations were published in the Federal Register Friday, May 9.

We continue to answer questions from minority businessmen and representatives of the Civil Rights Community regarding these regulations. Black Enterprise Magazine is considering doing a study late this summer and we are providing information to them. We also are working with SBA on proposed notice of rule making to set-up a new certification system as required by the overall affirmative action procurement proposal.

AFRICAN AMERICAN OUTREACH

- The feedback on Tuskegee was very positive. The East Room event helped to resolve this painful chapter. Many attendees expressed their appreciation for your leadership on this issue.

BUSINESS

- We are told by some of our business friends that the leadership on Capitol Hill is telling the real estate industry that in order to get a reduction in capital gains, the Administration is insisting that the real estate industry should be omitted from the reduction equation. There is concern that the real estate lobby will start to attack the Administration tax cut. If this is not our position, we should make that clear to the real estate industry before further distortions take place.

- The small business community is requesting support from the Administration on the following issues:

Home Office Deduction: The community believes that this is a relatively inexpensive tax break that is needed for the growing number of families who are operating businesses out of their home. There has been no response from Treasury on this issue, but we plan to follow up.

*Agree - Big opportunity
CC Relia*

can we fix this?

~~layer~~

— —

- ~~layer~~

~~layer~~

- ~~layer~~

~~layer~~

- ~~layer~~

umbrella group of public health organizations committed to increasing funding for NIH, CDC, HRSA programs) to discuss several health related issues and budget negotiations. They continue to urge the Administration to do all they can to increase funding for NIH.

HISPANIC OUTREACH

- On Tuesday, the Chief of Staff met with leaders of several Latino groups. The meeting focused on Fast Track, NAD Bank, the Budget, the Education initiatives and appointments. The response was positive with a desire for a continuing dialogue.

NATO ENLARGEMENT

- Our staff spoke with several ethnic community leaders on the significance of the NATO Russia Agreement. We also disseminated your remarks and the agreement details to community leaders and the ethnic press.
- The Veterans of Foreign Wars and Reserve Officers Association have offered to form a coalition in support of NATO Enlargement. Their proposal will be incorporated into the strategic roll out planned by State Department.

NEXTEA

- OPL is organizing a briefing with the staff-level working group concerning the Administration's NEXTEA bill. This briefing, which will be held May 20, 1997, is aimed at explaining your proposal to build on existing transit programs in helping people to make the transition from welfare to work. Secretary Slater and Bruce Reed, among others, will be making presentations to the over 150 guests at this briefing.

VETERANS

- OPL has organized a Veterans Media Round Table that will be hosted by the Vice President on May 22 in his Ceremonial Office. 12 organizations representing a cross section of veterans/military groups will participate. This event will provide the potential access to approximately 7 million readers prior to the their national convention season.
- We are coordinating with the American Battle Monument Commission, National Park Service and the National Security Council to set up a meeting with major interested veterans groups to discuss a plan to repair the Korean War Memorial. Recent adverse press concerning the physical state of the Memorial has generated a letter addressed to you from AMVETS calling for immediate action.

WOMEN'S OUTREACH

- OPL is in the final stages of planning the May 21 briefing of editors from 35 top women's magazines. Scheduled to brief the group are: the First Lady, Madeleine Albright, Janet

Reno, Donna Shalala, Alexis Herman, Aida Alvarez, Carol Browner and other top level Administration women.

- Our Women's Office is planning an event on May 22 with the Vice President to announce the domestic violence postage stamp booklet. On the cover of the stamp booklet will be printed an 800 number that women can call if they are victims of domestic violence.
- We are also planning a round table for the Vice President with breast cancer survivors for June 4. The round table will be an exclusive for Self magazine, and will run in the October edition. October is Breast Cancer Awareness Month.
- Over the past two weeks, I have interviewed several candidates to replace Betsy Myers as Director of the Women's Office.

UPCOMING ISSUES:

- OPL continues to serve as the principal planner for a Memorial Day event. We expect that 240 veterans, military leaders and their families will participate in this annual event. It will have the traditional format with a breakfast/receiving line hosted by you, followed by commemorative ceremonies at Arlington National Cemetery.

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

THE PRESIDENT HAS SEEN

5-19-97

May 16, 1997

Copied
Smith
Cos

'97 MAY 16 PM 12:06

MEMORANDUM TO THE PRESIDENT

FR: CRAIG T. SMITH

RE: WEEKLY POLITICAL BRIEFING

ARIZONA

Arizona lawmakers have been publicly complaining about the absence of Governor Symington. With the Governor on trial for financial fraud charges, and in the court room most of the day, GOP state leaders feel the business of the state is frozen. Additionally, many of the disgruntled GOPers have indicated their interest in running for governor. Among those interested are Sec. Of State Jane Dee Hall (R), Schools Supt. Lisa Keegan, and Rep. Matt Salmon (R). Other potential challengers are '94 primary candidate Barbara Barrett (R), state Sen. Tom Patterson (R), and ex-Maricopa Co. Sup. Tom Rawles (R).

Symington's former chief aide, George Leicky, was found innocent of bid-rigging charges this week. He was accused of providing insider information to vendors bidding for state contracts.

CALIFORNIA

San Diego Mayor Susan Golding (R), "long considered a rising star in moderate [GOP] circles," made it official 5/13 that she is a candidate for the seat now held by Senator Barbara Boxer (D). Golding's move, coupled with "indications" that Rep Sonny Bono (R) may run, have Republicans "buzzing about the building strength of the field." Golding: "I have decided it is time to move forward. My vision for California and the nation is of a healthy economy in which businesses are given a chance to compete and succeed in a rapidly changing world marketplace, and of tough love for our children with strict nighttime curfew and daytime loitering restrictions."

By filling papers to form an election committee, Golding is building on the exploratory group she set up 3/31. Her campaign consultant, George Gorton, said she already has raised more than \$100,000 without any formal events. Gorton is "best known for catapulting" another San Diego mayor - Pete Wilson - into the Senate and governorship. Boxer, who is not expected to be challenged within her party, is expected to be in good financial shape and will await the outcome of "what is expected to be a bruising" 3-way or 4-way republican race. Confirmed Republican challengers: Treasurer Matt Fong, Millionaire businessman Darrell Issa.

COLORADO

Representative Scott McInnis is "still talking" to Colorado republicans about running for the Senate, challenging Senator Ben Nighthorse Campbell (R) in a primary. McInnis: "I haven't made up my mind yet....I've worked for many [GOP] candidates and many [GOP] issues over the years...During most of those campaigns, Senator Campbell was on the other side." McInnis

THE PRESIDENT HAS SEEN

5-19-97

acknowledges that national Republican leaders are trying to discourage any primary challenger but says "those party leaders do not speak for rank-and file Republican voters".

Treasurer Bill Owens (R) has the "head start" in the republican run for Governor, but will be challenged by either House Speaker Chuck Berry or Senate President Tom North. "So far, Berry seems to be more committed to the race." Berry: "It's likely I will run." On the Democratic side, Lieutenant Governor Gail Schoettler "would like to move up to the top job, but could face a challenge" from Senate Minority Leader Mike Feeley. Feeley has signed up consultants and an "informal" manager and plans to make a final decision by the end of the year.

State Representative Mike Salaz (R) "is openly looking" at the Lieutenant Governor's post. "He even has a campaign letterhead." Other potential Republicans: State Senator Bill Schroeder and State Senator Sally Hopper. The only other Democrat LG possible candidate is State Senator Stan Matsunaka. Secretary of State Victoria Buckley (R), the first African-American woman to hold statewide office, will probably seek re-election. Potential Democrats include: Pueblo Co Clerk Chris Munoz and State Representative Ken Gordon, who contemplated a U.S. Senate run in '96. Treasurer Bill Owens (R) and ex-city of Denver aide Jim Polsfoot. Potential Attorney General candidates: longtime aide to Governor Roy Romer (D) Ken Salazar (D), State Senator Dick Mutzebaugh and Jeff Wells.

DELAWARE

Should send letter Attorney Richard H. Bayard was elected chairman of the Democratic state party this week, taking over from Gary E. Hindes, who stepped down after a single term. The convention also adopted a party platform, largely a ratification of Gov. Carper's (D) program in such areas as education, welfare reform and land-use planning. It also includes provisions supporting abortion rights and "Buy-American" policy.

FLORIDA

The Florida Republican Party returned \$25,000 to a Hong Kong development company that may have contributed illegally to the GOP almost six years ago. The contribution was part of a series of donations totaling nearly \$150,000 that Young Brothers Development Corporation had made to the Republican National Committee, the Republican Party's campaign arm for congressional and senatorial races, and to the Florida party. In addition, the company put up \$2 million to back a 1994 bank loan for the Republican Policy Forum. When the forum reneged on \$500,000 of that loan, Young Brothers Development was forced to make good--in effect converting its guarantee to a contribution. The corporate subsidiary Young Brothers Development USA, which the contributions were made through, was a shell corporation with almost no assets of its own. The Contributions originated from the parent company in Hong Kong. The donations have proved to be embarrassing for the Republican Party because its leaders have repeatedly denied collecting money from overseas sources. The U.S. Senate committee investigating foreign donations announced that it would subpoena Young Brothers representatives.

HAWAII

1994 and '96 Republican congressional nominee Orson Swindle (R) has decided he will not make a third bid at unseating U.S. Rep. Neil Abrecrombie (D). Swindle has announced his support for Rep. Quentin Kawananakoa (R) from Honolulu. Kawananakoa, an attorney and second term state representative, is a descendant of the Hawaiian royal ancestry. He plans on making a formal announcement at the Republican state convention on the Big Island of Hawaii this weekend.

In 1988, Kawananakoa was sentenced to five years probation and 100 hours of community service for cocaine possession. His record was wiped clean after three years of good behavior under a law that allows first-time offenders to get a fresh start.

ILLINOIS

Noting the importance of early fundraising, Republican members of the IL congressional delegation are trying to "find a way to nudge" Governor Jim Edgar (R) into making up his mind about '98. Following the visit to DC by Secretary of State George Ryan (R) in his Senate exploration last week, the delegation decided to draft a letter to Edgar to ask him to decide whether he will seek re-election" or run for Senate.

The Senate overwhelmingly approved a bill on 5/13 to ban "partial-birth" abortions, sending it to pro-choice Gov. Jim Edgar (R) for a possible signature. The bill, passed 49-3, would outlaw the procedure except to save the life of the mother and would punish doctors who are convicted with up to three years in prison. Edgar expressed "a willingness to consider restrictions on abortions," but has not indicated whether he will make abortions during the later stages of pregnancy, but will make a thorough review of this bill before making a decision." IL Planned Parenthood has called on Edgar to veto the bill.

INDIANA

The FEC has dismissed a complaint filed against Evansville labor unions by Rep. John Hostettler (R). The complaint involved a Spring '96 union rally at which union members asked Hostettler to sign a pledge to protect Medicare. Hostettler's campaign alleged that the rally constituted an improper use of union money in an election.

IOWA

Rep. Leonard Boswell (D) is a reportedly considering a run for the governor's seat. According to Boswell, "People have been talking to me about it, some since Senator Harkin made his announcement." Boswell says he is happy with his present position, "But," he adds, "I guess I never turn down a conversation about something."

MINNESOTA

Sen. Paul Wellstone (D), in a nationally broadcast speech at the National Press Club, predicted that social conditions will worsen under the budget agreement, saying that, "If this balanced budget agreement is to be the great accomplishment of eight years of a Democratic presidency, then history will judge us harshly."

THE PRESIDENT HAS SEEN

5-19-97

MONTANA

A Lee Newspapers poll, conducted 5/4-6 by Mason Dixon/PMR, surveyed 803 registered voters surveying the performance of freshman Rep. Rick Hill (R). The DCCC and the state party leaders continue to lobby Sec. Of State Mike Cooney into challenging Hill. These numbers are the lowest ever polled for a Montana congressman.

Montanans responded to Hill's performance in Congress with the following:

Excellent	3%
Pretty Good	24
Fair	23
Poor	13
No Opinion	37

NEBRASKA

Omaha Mayor Hal Daub (R) narrowly defeated '93 candidate Brenda Council (D) for reelection this week.

Daub	55,068	50.4%	<i>Let's send her a nice letter -</i>
Council	54,190	49.6%	

Daub's victory was the "second-narrowest mayoral victory in Omaha's modern history." Had Council won, she would have been both the city's first woman mayor and first black mayor.

NEVADA

Hollywood producer Aaron Russo (R) officially launched his gov. candidacy this week. Russo, who formed the Constitution Party in CA, registered to vote in NV two weeks ago. He challenges businessman Kenny Guinn (R) and Lt. Gov. Lonnie Hammargren (R) for the GOP nod.

NEW JERSEY

Jersey City Mayor Bret Schundler (R) appears to have avoided a runoff by defeating former municipal Judge Jerramiah Healy (D) and city council member Jamie Vasquez (D). The election is officially non-partisan. The following results include all but six precincts reporting.

	Votes	Percentage
Schundler	18,970	50%
Healy	15,545	41%
Vasquez	3,269	9%

If the results stand, Schundler would be the first mayor reelected to a full term in nearly 30 years. Schundler ran for reelection under the criticism that he "spent too much time traveling to promote school vouchers and too little on solving the city's problems." There is still a remote possibility that there could be a runoff after the write-in votes and six remaining precincts have

reported.

The candidates in this year's race for governor have carefully hoarded millions of dollars for television advertising in the final weeks of the campaign. Woodbridge Mayor Jim McGreevey has the largest war chest for the June 8 Democratic primary. He has raised \$2.28 million, including matching funds, and has spent \$590,000--leaving him with \$1.69 million. The candidate with the most money is the one running unopposed in the Republican Primary, Governor Whitman (R), has taken in \$9.45 million and still has \$2.8 million. New Jersey is one of the most expensive states to run a political campaign because of the cost of television time in the New York and Philadelphia media markets.

The NJ Supreme Court deemed Gov. Whitman's (R) plans to equalize funding between poor and wealthy school districts to be unconstitutional. The Court also said that the Whitman administration should fund up to \$240 million within months for poorer districts, thus deepening the state's budget problems. Whitman's Democratic rivals jumped in to capitalize, saying that the decision confirmed Whitman's efforts to try to shortchange poor children. Political observers differed on how the first major defeat of Whitman's tenure will effect voters. GOP strategists believe that voters will rally to Whitman's side, while others believe the opposite will occur.

NEW MEXICO

'96 GOP nominee Bill Redmond (R) upset Corp. Commis. Eric Serna (D) and Green Party nominee Carol Miller. The final results of the special election are as follows:

Redmond	43,472	43%
Serna	40,424	40%
Miller	17,080	17%
Others	729	0

The result is "one of the biggest upsets" in NM political history. Almost 60% of the CD's voters are Democrats and Serna out spent Redmond by more than two to one. Attached are the county by county breakdown of the voters. Miller described her showing as "incredible" and "rejected suggestions" that she played "the role of a spoiler." She announced her intent to run again in '98.

NEW YORK

Following the withdrawal of Bronx BP Fernando Ferrer (D), Manhattan BP Ruth Messinger seems to be the leading Democrat against Mayor Rudy Giuliani (R). The question Messinger now faces is whether she can put forward a vision of the city that would be compelling enough for New Yorkers to choose her over Giuliani. Ferrer's decision to withdraw from the race was unfortunate for Democratic county leaders. Three of the counties that had been backing Ferrer--Queens, Brooklyn, and Staten Island, may now switch their allegiance to City Council member Sal Albanese (D). He is a long shot who could now get more attention from moderate elements of the party. Bronx Democrats will back Messinger because Ferrer has endorsed her candidacy. New York City Mayor Rudy Giuliani (R) and Manhattan BP Ruth Messinger (D) have already begun to take shots at each other over the issue of rent control. Most observers expect Giuliani

THE PRESIDENT HAS SEEN

5-19-77

and Messinger to continue arguing until Election day.

Despite the many differences between Rep. Charles Schumer (D) and Senator Al D'Amato (R), both have a substantial amount of money for their campaign. D'Amato started this year with a cash reserve of \$6.8 million, while Schumer had \$5.1 million. Interestingly, for all their policy differences--on issues ranging from abortion to gun control--they share many of the same donors. Anyone who gave Schumer money in the last election cycle while he was running for the House is free to give the full \$2000 limit again, since he is now running for a different office. By contrast, D'Amato's election cycle lasts six years, so the campaign cannot turn to anyone who has donated the maximum amount. However, few observers believe that D'Amato is underfunded.

OHIO

Mayor Michael White (D) launched his bid for a third term with a public commitment of support from Rep. Louis Stokes (D), who has signed on as White's campaign co-chair.

The Cincinnati Enquirer this week released a poll conducted March 14th - 26th by the University of Cincinnati (861 adults; MoE +/- 3.3%) showing the continued strength of Gov. Voinovich's (R) approval.

	APPROVE	DISAPPROVE
Gov. George Voinovich (R)	66%	19%

Lieutenant Governor Nancy Hollister (R), who was expected by many to announce a run for Secretary of State, has been approached by party leadership who want her to challenge to Rep. Ted Strickland (D). Although she is not well known outside her native Marietta, Hollister would be among Strickland's strongest competitors.

Rep. Deborah Pryce (R), meanwhile, is holding out the possibility of a run for the Ohio Supreme Court, but only if Justice Paul Pfeifer (R) does not seek re-election.

SOUTH CAROLINA

There has been speculation that Lexington Co. Sheriff Jimmy Metts (R) will switch to the Democrats and run for Governor against Gov. David Beasley (R). A small group of GOPers met with Metts on May 9 to dissuade him from switching parties and came away feeling they made some progress. State Senator Joe Wilson (R) circulated a letter for fellow GOPers to sign, urging Metts to stay in the party.

TENNESSEE

Governor Don Sundquist (R) is running for re-election. Another possible Democratic gubernatorial candidate is Memphis Atty. John Ferris who has also served as ex-Shelby County Democratic chair. Other possible Democrats: Representative Bob Clement, ex-state House Majority Leader Bill Purcell, Representative John Tanner, Nashville Mayor Phil Bredesen, millionaire/'94 candidate Clayton McWhorter, businessman Olan Milles, and TN Democratic Chair/'96 Senate nominee Houston Gordon

Gov. Voinovich
Sheriff Metts
Rep. Pryce
Lt. Hollister
Rep. Ferris
Rep. Clement
Rep. Purcell
Rep. Tanner
Rep. Bredesen
Rep. McWhorter
Rep. Milles
Rep. Gordon

THE PRESIDENT HAS SEEN

5-19-97

TEXAS

Tax bill - Although Governor George W. Bush (R) has maintained a public position of neutrality, he is now assuming a greater role. There is speculation that Bush may favor the House plan. Citing Bush's recent visit to the House floor and his lobbying efforts among members of the House, Lt. Gov. Bob Bullock maintains that Bush supports the House proposal. The conference committee must reach a compromised proposal before the scheduled vote on June 2. If they fail to reach an agreement and the bill does not pass, Bush could call a special session. Although he is reluctant to do so, he has not ruled out the possibility. For now, Bush and members of the House and Senate are hopeful that a compromise can be reached.

Primary elections date - Although a bill to move the primary elections from March to May passed easily in the House, it may run into some stiff opposition when it goes to the Senate later this week. Concerns have been raised by legislators of both parties regarding the filing deadline and the timing of the primary. The Senate State Affairs Committee approved moving the primary with the stipulation that the current early January candidate filing deadline remain intact, thereby favoring incumbents.

Some state senate and house members are raising concerns about scheduling the primary on the first Saturday in May. There is the possibility that they will conflict with Cinco de Mayo. Yet, supporters of the measure cite the scheduling as a possible bonus. With the primaries around Cinco de Mayo, some argue that the party can mobilize Hispanic voters through pachangas (parties). Hispanics comprise about 25 % of the Texas population. Houston Senator Mario Gallegos argues that May primaries are a poor idea because they may lead to June run-offs. The timing of the run-offs, he says, could hamper many Hispanic voters who may leave the area in May when their children finish school. The bill faces further opposition on both sides. If it is to pass, supporters will have to find a way to reconcile the concerns about the filing deadline as well as concerns in the Hispanic community.

WASHINGTON

Rep. Linda Smith (R) announced her campaign to challenge Sen. Patty Murray (D) this week. She seems to have already "thrown down the gauntlet" at a potential rival, Rep. Jennifer Dunn (R) who has made "heavy use" of special-interest PAC money. Smith says she has run statewide campaigns on tax issues, worked with Ross Perot supporters on campaign finance reform, and tapped into the Christian conservative movement" with her pro-life stand. Smith has gained notoriety with her "rebel" stances, including voting against Newt Gingrich for Speaker, and allying with Common Cause on the issue of campaign finance reform.

Smith received the blessing of former Christian Coalition gubernatorial candidate Ellen Craswell. Absent from Smith's kickoff were any members of the Washington Republican delegation. Reps. Dunn (R) and Nethercutt (R) have openly expressed reservations about her candidacy. As Nethercutt said, "It is one thing to be outspoken and another thing to get something done." She was ranked in the bottom five in integrity in a 1994 Seattle Times Survey and is seen as running away from the 3rd CD after her meager 887-vote win last time. Atty Joe

Bowen (D), who lost the '96 Dem primary is preparing for a second challenge to Rep. Jack Metcalf (R)

1996 Congressional nominee Brian Baird (D) held 4 campaign kick off events this week for the seat being vacated by Smith. Republicans interested in challenging Baird are Smith aide Pat Fiske (R) and chiropractor/'94 primary candidate Paul Phillips (R), '96 state schools supt. Ron Tabor (R), ex-state Rep. J. Vanderstoep (R), state Sen. Don Benton (R) and state Rep. John Pennington (R).

WISCONSIN

Gov. Tommy Thompson (R) said on Wednesday that he should have included a PAC ban in his budget proposal earlier this year, but was dissuaded from doing so by his own aides.

STATE OF NEW
MEXICO
Unofficial 1997 Special
Election Results by County

3rd Congressional
District

as of 5/14/1997 at 1:40
AM(mst)

COUNTY	CAROL A. MILLER	ERIC P. SERNA	BILL REDMOND	DANIEL J. PEARLMAN	EDWARD P. NAGEL	JOHN BISHOP	ORLIN G. COLE	MICHAEL A. GUSS
BERNALILLO	171	292	1,189	04	06	00	00	00
✓ CIBOLA	39	195	150	06	04	00	00	00
COLFAX	325	1,203	1,360	08	06	00	01	00
CURRY	167	1,249	3,840	13	08	00	00	00
HARDING	06	114	217	00	00	00	00	00
LOS ALAMOS	1,210	1,693	3,429	26	62	03	01	00
✓ MCKINLEY	769	4,953	2,777	33	38	00	00	00
✓ MORA	80	944	321	02	02	00	00	01
QUAY	75	815	1,298	05	02	00	00	00
✓ RIO ARriba	838	4,854	1,641	08	12	01	01	00
ROOSEVELT	119	584	1,756	04	04	00	00	00
SANDOVAL	1,588	3,083	5,395	29	61	00	00	00
SAN JUAN	918	4,496	1,0841	54	63	00	00	00
✓ SAN MIGUEL	678	1,190	1,032	09	13	00	00	03
✓ SANTA FE	8,682	10,036	6,599	52	91	20	00	02
✓ TAOS	1,394	2,460	1,114	48	17	00	00	00
UNION	21	259	517	03	03	00	00	00
TOTAL	17,080	40,424	43,472	304	392	24	03	06

[Go Back to Special Election Data Page](#) [Go Back to SOS Home Page](#)

Redmond Squeaks

RESULTS AT A GLANCE

523 of 523 precincts
reporting.
All results unofficial
• Denotes write-in
✓ Apparent winner



	TOTAL VOTE	%
✓ Bill Redmond (R)	43,165	43
Eric P. Serna (D)	40,075	40
Carol A. Miller (Grn)	17,032	17
Ed D. Nagel (Lib)	392	0
Daniel J. Peartman (RP)	304	0
John Bishop (Ind*)	26	0
Michael Quasa (Ind*)	5	0
Orlin Cole (R*)	2	0

GOP Upsets Dems; Greens Pull 17%

BY WREN PROFF, TOM RAGAN
AND LYN HOFFMAN
Journal Northern Bureau

SANTA FE — Republican Bill Redmond eked out an upset victory Tuesday over longtime northern New Mexico Democratic political figure Eric Serna in the 3rd Congressional District special election.

With 100 percent of precincts reporting at 12:20 a.m., unofficial results had Redmond with 43 percent of the vote to

40 percent for Serna. Green Party candidate Carol Miller received 17 percent of the vote.

Redmond attributed his victory to a campaign based on family values.

"I campaigned on a vision of a free and prosperous America," he said in a victory speech at the Santa Fe Holiday Inn.

Redmond will finish out the 19 months remaining in the term of ex-Rep. Bill Richardson, a Democrat who resigned in February to become U.N. ambassador. Richardson had held the seat since the district was created in 1982.

Redmond joins Steve Schiff and Joe Skeen as the state's representatives — all Republican, despite the fact that a majority of New Mexicans are regis-

Into U.S. House

tered Democrats.

Miller especially hurt Serna by running strong in Santa Fe County, the biggest source of Democratic votes in the district.

Democrats have a 2-to-1 registration edge over Republicans in the ethnically diverse district.

Redmond built his victory on solid margins in GOP-friendly counties on the state's east side, in San Juan County in the northwest and in Sandoval County, home to the fast-growing community of Rio Rancho.

Late Tuesday, Serna had not conceded defeat, even though he trailed Redmond

See UPSET on PAGE A4



MICHAEL DIGARI JR./JOURNAL

HEARTY HANDSHAKES: Bill Redmond is greeted by supporters Tuesday night at the Holiday Inn in Santa Fe.

"Our position is the Democrats were the spoilers," Miller said. "When the Democrats put forward a bad candidate, throwing a million dollars at it isn't going to change him into someone else," she said.

PRECINCTS	Total # reporting								
	MILLER (Green)	SERNA (O)	REDMOND (R)	PEARLMAN (Reform)	NAGEL (Libertarian)	BISHOP* (Ind)	COLE* (R)	GUSS* (Ind)	
Bernalillo	5	5	171	292	1,189	4	6	0	0
Cibola	2	2	39	195	150	6	4	0	0
Colfax	20	20	325	1,202	1,360	8	6	0	0
Curry	42	42	167	1,249	3,840	13	8	0	0
Harding	5	3	6	114	214	0	0	0	0
Los Alamos	18	18	1,210	1,695	3,425	26	62	5	1
McKinley	65	65	769	4,953	2,777	33	38	0	0
Mora	13	13	80	944	321	2	2	0	0
Quay	15	15	75	815	1,298	5	2	0	0
Rio Arriba	44	44	838	4,854	1,641	8	12	1	1
Roosevelt	19	19	119	584	1,756	4	4	0	0
Sandoval	49	49	1,588	3,085	5,395	29	61	0	0
San Juan	73	73	918	4,496	10,841	54	63	0	0
San Miguel	32	32	678	3,190	1,032	9	13	0	0
Santa Fe	73	73	8,682	10,036	6,599	52	91	20	0
Taos	39	39	1,393	2,460	1,114	48	17	0	0
Union	11	11	21	259	517	3	3	0	0
TOTALS	523	523	17,032	40,075	43,185	304	392	26	2

... WEDNESDAY, MAY 14, 1997

S. House by Slim Margin

Gov. Gary Johnson, who attended Redmond's victory party, introduced Redmond as northern New Mexico's next congressman before final results were reported.

"They called it 'Mission Impossible' but now it's mission accomplished," Redmond said. "We knew it wouldn't be easy, but we knew it was the right thing to do, and that's what we're all about."

Earlier in the evening, state Democratic Chairman Ray Sena said he was predicting a close election and thought the race between Serna and Redmond could be determined by a "flip of a coin."

"I don't know what we could have done differently. But I'm a listener, and I intend to listen to a lot more people," Sena said.

Santa Fe City Councilor Cris Moore, the first Green Party candidate elected in New Mexico, said that until now, Greens have garnered no more than 13 percent of the vote in federal races — that in Alaska and Hawaii.

"Anything we get above that is a nationwide record," he said. "Carol Miller has put the Green Party on the map far more than anybody else has."

The special election followed a 10-

week, rough-and-tumble campaign for the attention — and votes — of New Mexicans from Farmington to Portales.

Also on the ballot were Libertarian nominee Ed Nagel of Santa Fe and Reform Party candidate Dan Pearlman of Taos, who combined received slightly less than 700 votes. Three write-in candidates had less than 50 votes: John Bishop had 25, Michael Guss had 4 and Orlin Cole had 2.

Journal staff writers Dale Lezon, Bill MacNeil and Jeannie Johnson contributed to this report. Material from The Associated Press was also incorporated into this report.

'97 MAY 16 PM 7:37

THE WHITE HOUSE

WASHINGTON

May 16, 1997

Copied
Hale
CS
p. 1 to
Counsel

MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale *MLH*

SUBJECT: Weekly Report

2011
Mayor Willie Brown of the City and County of San Francisco: Mayor Brown was in town to meet with Cabinet Secretaries Cuomo and Slater and with James Lee Witt about additional funding for the reconstruction of San Francisco's City Hall. We met with him to discuss your participation in the U.S. Conference of Mayors meeting in San Francisco at the end of June. We also discussed the possibility of your giving a speech on the subject of race in California.

Marcia/Counsel
U.S. Conference of Mayors National Forum on Drug Control: We are working with the U.S. Conference of Mayors to coordinate the White House event during the USCM's two-day forum on drug control. On Wednesday, May 21, you and the Vice President will host a breakfast and round table discussion. The participants, which will include mayors, prosecutors and members of the law enforcement community, will engage in an informal discussion on drug control.

There is a big potential issue - is the law clear?
Native American Affairs: We continue to monitor the difficult situation between the Seneca Nation and the State of New York. The State is attempting to collect taxes on goods sold on the reservation that are sold to non-Indians. The Justice Department Office of Indian Justice is monitoring the situation and the Counsel's office is giving us guidance. There was a request for federal presence by Congresswoman Slaughter and Senator Campbell; we have been in touch with them to let them know that we are aware of the situation.

✓
We met with the Chiefs of Staff of the federal departments and agencies to discuss a memorandum from the Chief of Staff and Bruce Reed which will be distributed to all of the agencies asking for an inventory of the structures and policies they have implemented to be responsive to the Native American community. This memo serves as a follow-up to your 1994 Executive Memorandum on Government to Government tribal relations with Native American tribal governments; as a result of the 1994 memo, many federal agencies have implemented structures that deal with the needs of the Indian community.

NEXTEA: We hosted a briefing with the Public Liaison Office for over sixty representatives of local governments, environmental groups, and land-use advocates on the CMAQ enhancements in the NEXTEA proposal. EPA, DOT, OMB, and NEC were all represented. The session, which was well-received by all, was chaired by Jane Garvey, and featured Katie McGinty and the Vice President. One point that resonated is that the enhancement and environmental provisions provide positive opportunities for community service, and are a logical place to continue your

efforts to promote citizen service.

Budget: Gene Sperling briefed approximately 30 mayors and county officials on the FY98 budget agreement in a conference call. Frank Raines and Gene Sperling briefed the Democratic Governors in a similar call. We have received very positive feedback from the counties (particularly in California) about the provisions for legal immigrants.

Overall, the Governors are pleased with the budget negotiated with the Hill. The Governors thanked the Administration for developing a package that does not include a per capita cap of the Medicaid program. They do not support a cut in the DSH program. In addition, it is extremely important to the Governors that the budget resolution not include a recommendation that DSH funds be retargeted. Governor Dean put out a press release on the budget following his meeting with you on Wednesday.

Puerto Rico - Full Self-Government Legislation: We made progress in talks with House Resources Committee staff on the bill proposed by Chairman Young and others that would 1) call for Puerto Ricans to vote in 1998 and periodically as long as there is no majority for nationhood or statehood and 2) provide an implementation process in the event of such a choice. They agreed to several changes proposed in our testimony on the bill. The talks are continuing. In addition, we arranged for a meeting between Erskine Bowles and Governor Rosello to discuss the legislation as well as the Administration's continued support for Sec 30A.

Puerto Rico - Democratic Organization Officers: Caguas Mayor Willie Miranda Marin and Senator Mercedes Otero de Ramos were elected to replace the resigned Celeste Benitez and Miguel Hernandez Agosto as Democratic Chair and Vice Chair respectively. Pro-statehood 1996 National Convention Delegates protested, asking that they be allocated some of the DNC seats.

Mayor Archer: The Mayor called to inquire about the status of the Northwest Airlines/United proposal for changes in service to and from Japan. He was given a briefing on the status and advised.

Welfare to Work: We are working with DPC to ensure that Governors participate in the CEO Welfare to Work event on Tuesday, May 20, 1997. Both Governors Thompson (R-WI) and Carper (D-DE) will attend and will have speaking roles.

Children's Health Initiative: We are working with the DPC to ensure that elected officials have input into the design of the \$16 billion initiative to expand health coverage to 5 million children. We are working with Governors staff on Medicaid outreach and the new capped mandatory grant program.

Oklahoma City: Council member Mark Schwartz (President of the National League of Cities) came by to discuss the event in Oklahoma City on April 19. As you may remember, we provided a letter from you that was read at the public ceremony. I reiterated our commitment to meet with the Memorial design winner and the Board of the Memorial after the trial concludes in Denver.