

Chon

—

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

July 4, 1997

Copied
Reed
Kagan
COS

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *PC*

SUBJECT: Crack/powder cocaine sentencing recommendations

The attached Bruce Reed/Elena Kagan memo recommends that you accept a recommendation from the Attorney General and Director McCaffery and authorize them to work with Congress on legislation to change the threshold for a 5-year mandatory sentence for crack cocaine from 5 grams to 25 grams and from 500 grams to 250 grams for powder cocaine -- a ratio of 10:1 rather than the current 100:1. **You should act upon this before your trip if possible.**

Background. In May 1995, the U.S. Sentencing Commission voted to make the ratio 1:1 at 500 grams for both substances. The Administration opposed these changes and, in October 1995, you signed legislation rejecting them and directing the Sentencing Commission to submit new recommendations to Congress. On April 29, the Commission submitted the new report that suggested a range of 25-75 grams for crack and 125-375 grams for powder. You asked the AG and McCaffery to review the recommendations.

Recommendations. The AG's and McCaffery's recommendations stand upon a three-pronged rationale. First, the revised sentencing structure would help federal prosecutors and law enforcement officials better allocate resources by enabling them to focus on mid- to high-level dealers and permitting state and local prosecutors to focus on lower level dealers. Second, the current 100:1 ratio is outdated because the rates and danger of crack and powder use have narrowed over the years. Third, the current ratio is a symbol of racial bias and that our proposal would reduce the perception of injustice and inconsistency.

Congress. Next week, Senators Hatch and Abraham may offer an amendment to the juvenile justice bill lowering the minimum for powder to 100 grams while leaving crack at 5 grams -- a 20:1 ratio. Other Members have proposed lowering powder to as low as 5 grams for a 1:1 ratio. Bruce/Elena note that addressing the disparity in this manner will increase the federal government's role in low-level drug cases, overwhelm the courts and add billions to the federal prison budget.

Views. Bruce/Elena believe that the recommended changes represent the middle ground and the best hope of achieving progress on the issue. They advocate getting into the debate now and pushing for sensible legislation, but note that the Congressional Black Caucus will criticize 10:1 and advocate for further reducing the ratio. Ben Johnson notes that 10:1 will not sit well with the African-American and Hispanic communities, but that agrees that we need to enter the debate so as to push for sensible legislation. Rahm notes that our communications strategy will need

refining from the current Reno/McCaffery approach, but agrees with the underlying decision to accept 10:1 and move ahead. *Ann Lewis concurs. John Podesta would like to get a sense of where you stand on the issue before you depart, and then meet about the communications strategy on Monday before making any further moves as several relevant senior staffers are out of town for the holiday. Once our strategy is set, he would like to confirm with you on the road.*

Recommendation. Enter the debate based on the Reno/McCaffery recommendation, but move forward only after a communications strategy is set:

☒ Agree

☐ Disagree

☐ Discuss

*Though I would favor
further reflection—
under then is a criminal
justice or biological weapon
justification. Haven't heard
again can't all be wrong crash
ceiling - contain must be avoided*

THE WHITE HOUSE
WASHINGTON

July 3, 1997

'97 JUL 3 PM7:30

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
ELENA KAGAN

SUBJECT: CRACK SENTENCING RECOMMENDATIONS

On April 29, the U.S. Sentencing Commission submitted a report to Congress with new recommendations on sentencing policy for trafficking in crack and powder cocaine. In response, you directed the Attorney General and ONDCP Director to review the report and make recommendations to you within 60 days. Today, they submitted a joint recommendation, attached to this memo, that you support changing the threshold for a 5-year mandatory sentence from 5 grams to 25 grams for crack cocaine and from 500 grams to 250 grams for powder cocaine. This change would reduce the current disparity between crack and powder cocaine sentences from a ratio of 100:1 to a ratio of 10:1. The DPC believes that you should accept this recommendation and instruct your advisers to begin working with Congress immediately to enact legislation making these changes in crack and powder cocaine sentencing.

I. Background

Under current law, the same 5-year mandatory minimum sentence applies to a person selling 5 grams of crack cocaine (worth about \$300) and a person selling 500 grams of powder cocaine (worth about \$30,000). This disparity is often referred to as the "100-to-1" ratio between crack and powder cocaine sentences.

In May 1995, the Sentencing Commission, by a 4-3 vote, issued changes to the sentencing guidelines to reduce crack cocaine penalties to the same level as powder sentences -- a 1:1 ratio at 500 grams. The Administration opposed these changes on the ground that crack is more harmful than powder cocaine. In October 1995, you signed legislation rejecting the changes and directing the Commission to submit new recommendations to Congress.

The Sentencing Commission's revised recommendations, submitted this April, suggested appropriate ranges for the amount of crack or powder cocaine that should trigger a mandatory minimum sentence: between 25 and 75 grams for crack cocaine and between 125 and 375 grams for powder cocaine. In asking the Attorney General and ONDCP Director to review these recommendations, you stated that "the sentencing laws must continue to reflect that crack cocaine is a more harmful form of cocaine," but that "some adjustment to the cocaine penalty structure is warranted as a matter of sound criminal justice policy."

II. Department of Justice and ONDCP Recommendation

After reviewing the Sentencing Commission's report, the Attorney General and ONDCP Director have recommended that the Administration support and work with Congress to enact legislation changing the mandatory minimum thresholds from 5 grams of crack and 500 grams of powder to 25 grams of crack and 250 grams of powder cocaine. These changes would reduce the current ratio between crack and powder sentencing from 100:1 to 10:1.

The Attorney General and ONDCP Director believe that this revised sentencing structure would help to ensure that federal prosecutors focus on the prosecution of mid- and high-level cocaine traffickers, rather than on lower-level traffickers whom state and local authorities can easily prosecute. A mid-level crack dealer typically deals in ounce (28 grams) or multi-ounce quantities. By raising the mandatory minimum to this level, Congress would remove incentives for federal prosecutors to prosecute lower-level dealers and increase the likelihood of their bringing only high-priority cases involving mid- and high-level traffickers.

The Attorney General and ONDCP Director also state that the current 100:1 ratio is outdated because the rates of crack and powder cocaine use, as well as the dangers associated with such use, have narrowed over the years. Finally, they note that the current ratio has become a symbol of racial bias in the criminal justice system and has had a corrosive effect on "respect for the law in certain communities and on the effective administration of justice."

III. Suggested Course of Action

We suggest that you endorse the recommendation submitted by the Attorney General and the ONDCP Director. The proposed 10:1 ratio, with mandatory minimum triggers at 25 grams of crack cocaine and 250 grams of powder cocaine, is fundamentally sound. This recommendation reduces the disparity between crack and powder cocaine sentencing, as well as the perception of injustice and inconsistency that goes with it. At the same time, the recommendation makes sense from a law enforcement perspective by linking the crack threshold to an amount (25 grams) that corresponds with the practice of mid-level crack dealers to traffick in ounce (28 grams) or multi-ounce quantities.

The one downside of this recommendation is that the proposed approach risks placing the Administration in the center of a debate that has no center -- with Members of Congress attacking from both directions. On the one hand, Republicans will accuse the Administration of coddling drug users by raising the mandatory minimum threshold for crack cocaine. Senators Hatch and Abraham support a proposal to drop the threshold for powder cocaine from 500 grams to 100 grams while leaving intact the threshold for crack cocaine (resulting in a 20:1 ratio). Other Republican Members have proposed dropping the powder cocaine threshold to as low as 5 grams, which would reduce the ratio to 1:1, but only at the cost of overprosecuting other low-level drug dealers and adding billions of dollars to the federal prison budget. On the other hand, the Congressional Black Caucus and others in the African-American community will attack the

Administration for failing to go far enough to remove a racial injustice. As you know, many CBC Members favor removing the disparity between crack and powder cocaine entirely -- or at least reducing it far more sharply than the Attorney General and ONDCP Director recommend.

But precisely because it takes a middle position -- and because, as noted above, it can be hooked to law enforcement objectives -- this recommendation offers the best hope of achieving progress on this issue. The CBC approach to this issue will go nowhere in Congress, even with our support. The Republican approach stands a scarily high chance of success, unless we counter it with a credible alternative. We are not particularly optimistic that the recommended approach (assuming you accept it) will prevail, but it stands a better than any alternative approach of leading to a decent outcome.

We also suggest, if you accept the recommendation, that you authorize the Attorney General and ONDCP Director to begin immediate discussions with Members of Congress on this issue. Senators Hatch and Abraham may offer their alternative proposal as early as next week at the Senate Judiciary Committee's markup of the Juvenile Justice bill. We should engage with an alternative proposal as quickly as possible.

_____ Agree

_____ Disagree

_____ Discuss



Office of the Attorney General
Washington, D. C. 20530

July 3, 1997

The President
The White House
Washington, DC 20500

Re: Crack and Powder Cocaine Sentencing
Policy in the Federal Criminal Justice System

Dear Mr. President:

On April 29, 1997, the United States Sentencing Commission ("Commission") submitted to Congress a report containing recommendations regarding crack and powder cocaine sentencing policy in the federal criminal justice system. The Commission recommended that the triggering amount for a five-year mandatory minimum sentence for crack be changed from the current 5 grams to somewhere between 25 and 75 grams, and that the triggering amount for a five-year mandatory minimum sentence for powder cocaine be changed from the current 500 grams to somewhere between 125 and 375 grams.

In a statement issued on the day the report was submitted to Congress, you commended the Commission for its report, agreeing that "some adjustment to the cocaine penalty structure is warranted as a matter of sound criminal justice policy [because] [f]ederal prosecutors should target mid- and high-level drug traffickers, rather than low-level drug offenders." You recognized that "[t]he disparity between sentences for powder and crack cocaine has led to a perception of unfairness and inconsistency in the federal criminal justice system." You further stated, however, that crack has had a particularly devastating impact on communities across America, and thus "[t]he sentencing laws must continue to reflect that crack cocaine is a more harmful form of cocaine." You directed us to study the Commission's report and to make our recommendations on cocaine sentencing in the federal system.

Recommendation

The Office of National Drug Control Policy (ONDCP) and the Department of Justice (DOJ) have carefully studied the Commission's report, engaged in a comprehensive review of recent literature on this subject, and examined information from the

Commission, DOJ, ONDCP, and the Department of Health and Human Services. Consistent with the Commission's report, we recommend that the threshold for the five-year mandatory minimum sentence for crack be set at 25 grams and the corresponding threshold for powder be set at 250 grams and urge that the Administration work with Congress to adopt implementing legislation.

Rationale

When Congress enacted the current mandatory minimum sentences for a wide range of illegal drugs, it stated that these sentences should be reserved for significant drug traffickers. Accordingly, the federal government should primarily focus its narcotics enforcement resources on mid-level and high-level drug traffickers, generally leaving lower-level traffickers and users for prosecution by state and local law enforcement. Indeed, the overwhelming majority of drug prosecutions in this country are brought by state and local prosecutors.

This division of responsibility makes sense. With its powerful enforcement tools, such as the RICO statute, wiretapping capabilities, and the witness protection program, and with its national and international enforcement programs, the federal government is better situated to target and dismantle major drug trafficking organizations, whether the organizations deal in heroin, LSD, methamphetamine, cocaine, or other dangerous narcotics. Because successful narcotics prosecutions often involve "working up the chain," there is also a federal interest in prosecuting individuals who, if they were to cooperate, could provide information that would lead to the prosecution of these organizations and major drug dealers.

The current sentencing structure for cocaine, however, has undermined this division of responsibility. Today, a defendant who traffics in 500 grams of powder cocaine faces a five-year mandatory minimum sentence. According to the Drug Enforcement Administration (DEA), 500 grams -- a half-kilogram -- of powder cocaine has a street value of approximately \$30,000. An individual who deals in \$30,000 (or more) of powder cocaine is a serious drug dealer who should, at the minimum, have information relevant to prosecuting even larger individual dealers or organizations.

In contrast, serious mandatory minimum sentences are not reserved for mid-level and high-level dealers when it comes to crack cocaine. Under the current system, a defendant need only traffic in 5 grams of crack in order to face a five-year mandatory minimum sentence. According to the DEA, 5 grams of crack is worth a few hundred dollars at most, and its sale is

characteristic of a low-level street dealer. A mid-level crack dealer typically deals ounce or multi-ounce quantities. (A single ounce equals 28 grams.) Thus, setting the five-year mandatory minimum threshold at 25 grams would ensure that even the very bottom of the mid-level range would be covered; setting the threshold any lower than 25 grams would undermine positive change and would continue, inappropriately, to target low-level street dealers.

Several negative consequences have resulted from the current cocaine sentencing scheme:

- Agents and prosecutors have the incentive to concentrate on cases where less effort can nonetheless result in long sentences. Thus, the current sentencing scheme may lead federal agents and prosecutors to focus on low-level street dealers of crack, who could as easily and appropriately be prosecuted by our state and local law enforcement partners.

- To the extent that law enforcement resources are directed against low-level street dealers, scarce federal law enforcement agents and prosecutors are diverted away from other higher priorities including larger-scale and more serious drug traffickers. Moreover, imprisoning scores of lower-level crack dealers for long periods of time has consumed considerable resources of the Bureau of Prisons.

- The large disparity in the sentencing scheme is outdated insofar as current data show that crack use has stabilized over the past few years; that the violence associated with crack dealing has dropped over the past few years, contributing to the overall crime drop across America; that of all the cocaine consumed in the United States, there is nearly an even split between crack users and powder users; and that treatment programs for crack and powder addicts are similar and have similar success rates.

- A sentencing scheme that treats crack 100 times more harshly than powder undoubtedly has become an important symbol of racial injustice in our criminal justice system. We cannot turn a blind eye to the corrosive effect this has had on respect for the law in certain communities and on the effective administration of justice. When communities lose faith in the fairness of the legal process, our ability to enforce the law suffers.

These problems cannot be solved by increasing powder penalties, while leaving current crack penalties unchanged. Such a change would merely replicate for powder cocaine the major

problem with current law enforcement efforts against crack cocaine -- the diversion of scarce federal resources to the prosecution and incarceration of low-level drug dealers who are more properly the focus of state and local officials. Moreover, simply increasing powder cocaine penalties would do little to address the perception that crack penalties inappropriately target racial minorities for harsh punishment. We support, in conjunction with a change in crack penalties, a change in the triggering amount for powder cocaine from 500 grams to 250 grams recognizing that all crack is brought into this country as powder and the ease by which that powder is converted to crack.

None of this is to say that the federal government should retreat from its vigorous prosecution of crack cocaine offenses. Under our recommended penalty structure, federal law enforcement would continue to prosecute crack cases in the federal system, particularly when there is organized drug dealing, the use of weapons, the use of minors in drug trafficking, drug trafficking near schools and other places, or other aggravating factors. Moreover, crack dealers would continue to be punished more harshly than powder dealers, which appropriately reflects the additional dangers associated with crack cocaine.

Conclusion

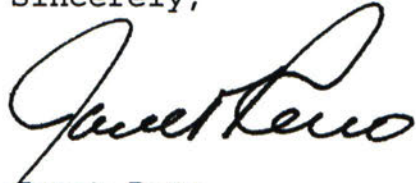
In short, we support a revised penalty structure with the five-year mandatory minimum threshold for crack set at 25 grams and the corresponding threshold for powder set at 250 grams because it would:

- Maintain tough federal sentences for serious drug offenders.
- Properly focus federal law enforcement efforts on mid-level and high-level drug traffickers.
- Improve the allocation of scarce federal law enforcement resources.
- Address perceptions of serious unfairness and inconsistency in the current sentencing scheme.
- Continue to reflect an appropriate distinction between crack and powder cocaine.

The President
Page 5

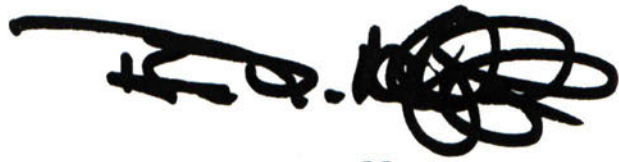
With your concurrence, we will work with Congress to adopt legislation that will improve federal law enforcement's response to the scourge of powder and crack cocaine trafficking in this country.

Sincerely,



Janet Reno
Attorney General

Sincerely,



Barry R. McCaffrey
Director, Office of
National Drug Control Policy

Rally
Sun 11:15
PS

THE PRESIDENT HAS SEEN
7-7-97

CNN - cost just be in
friction - we'll
analyze 'em in
OK

Copied
~~AP~~ Emanuel
COS

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

copied
Podesta
COS

April 11, 1997

MR. PRESIDENT:

You asked Sylvia to look into Abe Pollin's suggestion regarding TicketMaster doing the ticketing for White House tours. The attached memo from Sylvia, John Podesta and Jodie Torkelson explains that commercial distribution of WH tickets has a number of drawbacks and would not be a good idea.

The National Park Service currently distributes 3,000-5000 free, timed, non-guided tour tickets a day. The Visitors Office administers free, timed, guided tours for another 1,800 visitors a day that the public may request in advance.

Bottom line, is that a private sector distribution firm like TicketMaster would charge a service fee for every free ticket distributed. Sylvia/John/Jodie are concerned about the appearance of charging people for an experience that has traditionally been free-of-charge, no matter how nominal the fee would be. Furthermore, when the Residence is closed on short notice because of Presidential events, tours are simply canceled and tickets for that day are not distributed; use of a private firm could convey the false impression of a guaranteed date and time of tour.

We have attached a letter for your signature to Abe Pollin.

Phil Caplan
Ph

THE PRESIDENT HAS SEEN
Podesta 7-7-97

The Pollin
Masterless
Discussed
BZ

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

April 8, 1997

'97 APR 10 AM 8:52

MEMORANDUM TO THE PRESIDENT

FROM: SYLVIA MATHEWS
JOHN PODESTA
JODIE TORKELSON

SUBJECT: White House tour ticket distribution

To follow up on a conversation you had with Abe Pollin, you asked us to look into the option of distributing White House tour tickets through a service, such as Ticketmaster, similar to the distribution of Holocaust Museum tickets. We agree with Mr. Pollin that the idea of timed tickets is a good one, and we are already using them, both in advance through the offices of the Members of Congress, and on the same day through the White House Visitors Center. We believe that commercial distribution of White House tickets has a number of drawbacks and would not recommend it at this time.

Current System:

1. Public Tours

Same-day, **timed** White House public tour tickets are currently distributed each morning by the National Park Service on a first-come, first-served basis. Approximately 3,000-5,000 tickets are available each day. Distribution begins at 7:30am from the White House Visitors Center, and runs until the supply is exhausted. Times on the tickets are every ten minutes, from 10am to noon. At the time scheduled on their ticket, guests are escorted from the staging area to the White House in groups of 300. These tours are not guided.

2. Congressional Tickets:

We currently also have a system through which the public may request advance, timed, guided tour tickets. This system is administered by the White House Visitors Office and the Members of Congress. On a daily basis, approximately 1,200 visitors are accommodated with these individual tickets, and another 600 on reserved group tours, totaling 1,800. While the guided tours take place continuously from 8:15am to 9:00am in groups of 70, the tickets are timed for every 15 minutes, to avoid having all 1,800 people arrive at once. Allowing other sources to also offer advance ticket distribution may not be well received by Members of Congress.

3. Cost:

A private sector ticket distribution firm would charge a service fee for every free ticket distributed. Even if the service fee were nominal, we are concerned about the appearance of charging people anything for an experience that has historically been free.

4. Benefits of Using Visitors Center:

Tours are occasionally canceled at the last moment due to unanticipated events in the Residence. Under the current system, most visitors to the White House utilize the same-day, self-guided tours. On days when the Residence must be closed, these tickets are simply not distributed. Although these people are disappointed that the tickets are not available on that particular day, the majority of visitors have not made arrangements (e.g., specific vacation plans) based on the false impression of a guaranteed date and time of a tour. Changing our current distribution system would increase the number of disappointed people on days the Residence is closed.

Additionally, people who obtain their tickets through the Visitors Center are exposed to the educational materials that are available there, improving the actual tour. Without this process, people would miss the orientation designed to enhance the self-guided tour.

Future Expansion:

We are working with the Visitors Office to expand opportunities for the public to tour the White House. We examined the possibility of expanding the hours that tours are given, but concluded that the extra hours would cause too much conflict with other events scheduled in the residence. The National Park Service has implemented a year-round advance reservations system with tickets for a specific date and time on a trial basis at the Washington Monument. While it would be hard to solve the problem of short term closings, we will look at the results of this experiment at the Monument. Please keep in mind that the Monument is not subject to short-notice closings, except for severe weather.

Letter to Abe Pollin:

We have attached a letter for your signature and addressed to Abe Pollin, thanking him for his idea and explaining that we currently have a system that fits our particular needs.

THE WHITE HOUSE

WASHINGTON

April 11, 1997

PERSONAL

Mr. Abe Pollin
Chairman of the Board
USAir Arena
One Harry S. Truman Drive
Landover, Maryland 20785

Dear Abe:

Thank you for your interest in the distribution of White House tour tickets. I appreciated your suggestions and asked my staff to look into them, but we already have a system for distributing timed tickets that fits the particular needs of the White House.

Thanks, too, for the stadium pretzels. You were kind to send them along, and I am grateful for your continued thoughtfulness and support. Please share my appreciation and best wishes with your staff.

It was good to see you at the White House, and I look forward to getting together again.

Sincerely,



1 Harry S. Truman Drive
Landover, Maryland 20785
(301) 808-4300
Fax (301) 808-4325

Rec'd in G.U.

MAR 10 1997

March 4, 1997

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

Dear Mr. President:

Thank you very much for allowing me to see you yesterday in the Oval Office. Never having been there before, it was, indeed, a real thrill for me to be in that very special place.

I hope you agree with me that selling timed tickets by TicketMaster for White House visitors is a good idea and that it can be implemented.

I hope you enjoy the pretzels as much as my staff enjoyed baking them for you.

Very best personal regards.

Sincerely,



Abe Pollin

*cc: Sylvia
Make sure
he follow up*

P.S. I hope, Mr. President, that you will find it possible to honor us with your presence at a Washington Capitals game. I know you will really get a kick out of it!

Enclosures

THE PRESIDENT HAS SEEN

7-7-97

THE WHITE HOUSE

WASHINGTON

July 4, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *PC*

SUBJECT: Recent Information Items

Tab B
Jennings/COS

Tab C
Silverman/Mathews
Thompson-Cole
COS

Tab D
VP/Katzen/COS

We are forwarding the following recent information items:

(A) **Raines letter to budget conferees.** Frank forwards a copy of his 19-page letter detailing Administration positions on a variety of major issues -- from Medicare to Medicaid to Welfare-to-Work.

(B) **Jennings memo on Medicare fraud.** You saw a recent WSJ story about an upcoming HHS IG report, to be released in mid-July, that will estimate \$23 billion in improper payments. You asked, "Can't we do better." Chris reports that we can, and that, when the report is released, HHS will announce a Corrective Action Plan to make sure that payments are adequately validated and receivables are properly documented and reconciled. Chris notes that your record on fraud and abuse in Medicare and Medicaid has been very good so far, saving billions of dollars since you took office. Your FY '98 budget proposal contains a number of new initiatives.

(C) **Silverman/Thompson-Cole memo on D.C. Summer Jobs.** You asked Sylvia to look into the situation, as reported in the Washington Post, that the federal government is not living up to its goal of providing 1,000 slots. At this time, 182 students have been given jobs, but this represents the same hiring pattern as last year when agencies eventually hired 895 D.C. students. OPM expects the number to significantly increase in the coming weeks. Steve/Carol report that, while there is a shortfall, OPM and DOL are working aggressively to ensure that all students who want to work, can work. Much of the problem stems from the D.C. Council cutting the administrative side of the program by 60%. The D.C. Dept. of Employment Services often will not answer agencies' requests for referrals of students. Although DOL has provided more money this year for jobs, the District's lack of administrative budget has not resulted in effective use of the money.

(D) **Katzen memo on elimination/reinvention of regulations.** Sally forwards a chart showing the progress the Administration has made. If you remember, in June 1995, you announced the Administration's plans to eliminate 16,000 pages and reinvent 31,000 pages of regulations. Many of the agencies met or exceeded the original targets. In the elimination category, as a group, agencies have completed action to eliminate nearly 80% of your targets, or just over 13,000 pages. If those actions that have already been proposed or are otherwise pending or are included, the elimination total is nearly 100%. In the reinvention category, agencies have met about 80% of the target or 24,600 pages.

Memo to get record out of plan
Q: Can we give D.C. Council more? tuition? Can we advise to help to apply federal agency? Can we work with private sector to help?

John - Can we should be so much

(E)

Sperling/Horowitz memo on Wall Street Journal/NBC poll on the economy and various clips on the economy. Gene/Russell forward a summary of the favorable poll on the economy conducted last week. They also thought you might like to see: 1) an Al Hunt piece that is critical of the competing tax cut plans, but hits the Republicans for not extending the child tax credit to the working poor; 2) a Bob Herbert column that makes the same point; and 3) a favorable Washington Post editorial on the EITC.

We have also received the following items:

Socarides memo on the Simon Weisenthal Center's CyberWatch Program. You gave Sylvia a computer disk which Richard has reviewed. The "Hate, Violence and Mayhem on the Internet" disk provides snap-shots of material on the Web pages of ten mostly neo-Nazi hate groups. Richard thinks the material maybe useful in planning for the ~~WH~~ Conference on Hate Crimes, scheduled for November 10.

7-7-97

WASHINGTON

Tab B
Jennings/COS

Tab C
Silverman/
Thompson-Cole
COS

Tab D
VP / Katzen / cos

We are forwarding the following recent information items:

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- (D) **Katzen memo on elimination/reinvention of regulations.** Sally forwards a chart showing the progress the Administration has made. If you remember, in June 1995, you announced the Administration's plans to eliminate 16,000 pages and reinvent 31,000 pages of regulations. Many of the agencies met or exceeded the original targets. In the elimination category, as a group, agencies have completed action to eliminate nearly 80% of your targets, or just over 13,000 pages. If those actions that have already been proposed or are otherwise pending or are included, the elimination total is nearly 100%. In the reinvention category, agencies have met about 80% of the target or 24,600 pages.

700-
Can we
showed her
do work?

SALLY KATZEN

7-7-97

7/3/97

Mr President,

This is the final
report of the agencies
efforts to eliminate
and streamline
regulations.

We made some
real progress

Sally

Sally

Looks good - Thanks
We'll push through below
goals: →

Bruc-



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
7-7-97

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

JUL - 2 1997

NOUP → *Can we do any more w/ Sept.
Might be below goals?*

MEMORANDUM TO THE REGULATORY WORKING GROUP

FROM: SALLY KATZEN *SKatzen* *BC*
SUBJECT: ELIMINATION/REINVENTION OF REGULATIONS

I want to report to all of you on the substantial efforts of your agencies in eliminating and reinventing regulations in the Code of Federal Regulations (CFR). As you recall, on February 21, 1995, the President directed all agencies to undertake a complete review of their regulations in the CFR to determine which should be eliminated and which should be streamlined, simplified, updated, or otherwise improved. On June 12, 1995, the President announced the results of your review, and your plans to eliminate 16,000 pages and reinvent 31,000 pages of regulations.

Attached is a chart that I will be sending to the President and the Vice President that notes the substantial progress that you have made over the past two years. Many of your agencies met or exceeded your original targets. As a group, agencies have completed action to eliminate nearly 80 percent of your targets, or just over 13,000 pages. If we include actions that have already been proposed or are otherwise pending, the elimination total is nearly 100 percent of the target. In the reinvention category, final and proposed actions total about 80 percent of the target, or about 24,600 pages, with additional actions awaiting legislation or dependent on actions by another agency or a court.

You are to be congratulated on your efforts and should be very proud of your accomplishments. As we do our final report on this initiative, I know you will continue to work to improve the regulatory system so that it is fair, efficient, and effective for the American people.

Thank you again for your efforts.

Attachment

Progress of Key Agencies in CFR Elimination and Reinvention
Final Report Through April 30, 1997

Agency	CFR Pages Eliminated:				CFR Pages Reinvented:			
	-Target- Number of Pages	Final Action Complete	...plus Proposed Actions	...plus Pending Actions	-Target- Number of Pages	Final Action Complete	...plus Proposed Actions	...plus Pending Actions
USDA	3,510	84%	87%	87%	8,174	42%	53%	53%
DOC	696	83%	105%	105%	1,894	65%	90%	90%
ED	842	85%	100%	110%	1,142	61%	82%	97%
DOE	726	99%	100%	100%	✓ 1,206	47%	103%	103%
HHS	1,783	46%	60%	139%	2,261	33%	73%	81%
HUD	2,802	71%	73%	82%	✓ 1,507	102%	103%	103%
DOI	616	64%	114%	114%	✓ 2,674	38%	104%	104%
DOJ	109	132%	132%	132%	✓ 478	91%	108%	121%
DOL	1,737	73%	75%	87%	2,228	15%	30%	40%
State	58	91%	103%	103%	✓ 195	95%	101%	101%
DOT	1,221	105%	112%	112%	✓ 2,129	156%	167%	167%
Treasury	483	85%	99%	99%	2,477	56%	91%	91%
VA	232	113%	115%	115%	✓ 748	104%	108%	108%
EPA	1,457	92%	94%	94%	3,859	45%	56%	64%
SBA	355	85%	85%	85%	300	82%	82%	82%
TOTAL	16,627	79%	87%	99%	31,272	57%	79%	82%

NOTES:

1. "Final Action Completed" means a final rulemaking has been promulgated.
2. "Proposed Actions" are proposed rulemakings.
3. " Pending Actions" are those dependent on action by Congress, a Court, or another agency.
4. Some agency totals exceed 100% due to actions beyond those identified in their June, 1995 reports
5. EPA's reinvention target (229 CFR Parts) and progress were converted to pages and may not be precise.

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

July 4, 1997

MR. PRESIDENT:

Attached are for your review are:

1) a detailed decision memo from Gene Sperling. He asks for your guidance on three related issues related to long-term entitlement reform: 1) whether to focus our efforts on Medicare or Social Security; 2) how do we shape the Medicare Commission that we will probably not be able to remove from the House and Senate reconciliation bills; and 3) should we support the creation of a Social Security Commission now, or wait.

2) an informational memo from Chris Jennings that explains why long-term Medicare reform is difficult.

Gene would like you to act upon the decision memo prior to your departure if possible -- the budget team will likely have to broach some of these issues, particularly the structure of the Medicare commission, with the Congressional leadership early next week.

Phil Caplan *Phil*

Copied
Sperling
Jennings
ROS
147

THE PRESIDENT HAS SEEN
2-7-97

THE WHITE HOUSE
WASHINGTON

97 JUL 4 AM 11:55

July 4, 1997

MEMORANDUM TO THE PRESIDENT

FROM: Gene Sperling

SUBJECT: Memos on a Medicare Commission and Entitlement Reform

Gene
— I'd like to give VP a chance
to share his views
— cc Steering Committee VP
very good
RL

Attached are two memos. The first is a decision memo on how to proceed in conference on a Medicare or a possible Social Security commission. The second is a memo from Chris Jennings on the challenges of passing long-term Medicare solutions in the immediate future. In our internal meetings, there was a consensus among your top health care and budget advisors that there is no clear vision for a prudent long-term Medicare solution at this moment. Our recommendation is that the wiser course is to focus on constructing a solution to long-term Social Security problems first and to ensure that any Medicare Commission is conceived as more of a study by experts that lays the groundwork and defines the options for long-term reform.

I want to reenforce a few points to make clear that we are in no way recommending a hands-off or inaction approach to long-term Medicare reform. First, we will be engaging in an ongoing, internal NEC process to unearth the substantive and strategic solutions for both Medicare and Social Security. With further study, views on substantive positions on certain Medicare reforms could change and, if they do, we will keep you continually updated.

Second, there may be important Medicare reforms that we can enact in the near term without a commission that, while not remedying our long-term solvency problem, could nonetheless strengthen and improve the program.

Third, a strong, expert Medicare commission could truly help develop ideas that could make long-term reform more promising.

And, fourth, it is always possible that the political landscape could change in ways that would make current, non-politically viable options -- such as raising the Medicare payroll tax -- more acceptable as a means of preserving Medicare's solvency.

THE WHITE HOUSE

WASHINGTON

CLOSE HOLD

July 3, 1997

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Long-term entitlement reform

As you know, our original game plan on long-term entitlement reform was first to pass the balanced budget agreement and then to turn our attention to the longer-run challenges. But we no longer have the luxury of waiting until after the budget agreement is implemented: both the House and Senate reconciliation bills set up Medicare commissions. Even if we preferred not to have a Medicare commission, we are unlikely to be able to remove it from the final reconciliation package. We should, however, be able to influence its structure and focus. We must therefore decide immediately how to shape the Medicare commission into a form most consistent with our objectives. We must also decide whether we want to set up a commission on Social Security -- probably separately from the Medicare commission -- within the budget legislation.

The purpose of this memorandum is to explore three related questions and to give you an opportunity to provide us with your guidance on these questions. First, should our long-term entitlement strategy put more priority on initial action on Social Security reform or Medicare reform? Second, even if we believe that our best strategy is to focus initially on Social Security, how should we try to change the congressional proposals to ensure that the Medicare commission neither interferes with our efforts on Social Security nor produces problems for Medicare? Third, should we support the creation of a Social Security commission now, or should we allow ourselves more time to analyze the best way to proceed?

I. Where should we initially focus our efforts on long-term entitlement reform?

A first step in addressing our immediate concerns is that you must decide where to place

our initial emphasis in long-term entitlement reform. Senator Lott and other Hill leaders have indicated that they want to tackle long-term Medicare reform first. *But your economic and health advisers believe that we should concentrate our initial political capital primarily on Social Security.* The basic argument is that the various options for tackling Social Security are – at least by comparison with Medicare – well-researched and relatively well-understood. Our understanding of how to address the long-term solvency of Medicare is limited. Indeed, your four top health advisers -- Donna Shalala, Chris Jennings, Bruce Vladeck, and Nancy-Ann Min -- believe that the budget agreement embodies most of the obvious steps in reforming Medicare, and that we need much more analysis before considering which additional long-term policies are sensible. Even new proposals such as raising the eligibility age from 65 to 67 and introducing a home health care co-payment will have only a small impact over the long run. Medicare combines Social Security's demographic challenges with those posed by a health care delivery system characterized by generally rising health costs per beneficiary but much uncertainty over the dynamic evolution of those costs, making effective reform particularly complicated.

Chris Jennings will be submitting a separate memorandum to you explaining why long-term Medicare reform is difficult. Nonetheless, in deciding whether to pursue Social Security reform first, you should remember that such a strategy would be complicated because Senator Lott and other Republican Hill leaders favor addressing Medicare first.

Decision

- ☒ Put initial emphasis on Social Security reform
- ☐ Put initial emphasis on Medicare reform
- ☒ Discuss

I think the question on table is how to put SS before Medicare. Now along we Medicare then try to get to decision agenda on SS for so that we can take this necessary to study

II. How should we respond to the Medicare commission proposals?

While you obviously have the option of opposing a Medicare commission in reconciliation, we believe that it is basically a done deal, and our focus should be on how to fix it to fit our needs. If you agree that we should focus our efforts on Social Security first, it is important that a Medicare commission not hinder or undermine that objective. For example, an over-hyped commission on Medicare with key officials from both sides and an early reporting date could divert attention away from Social Security reform. It could also lead to ill-conceived and possibly harmful recommendations for Medicare.

Under both the House and Senate plans, the commission would comprise 15 members (eight Republicans and seven Democrats): six (four Republicans and two Democrats) chosen by the Senate Majority Leader in consultation with the Senate minority leader, six (four Republicans and two Democrats) chosen by the Speaker in consultation with the House minority leader, and three Administration representatives. Under the House bill, you are not granted any discretion in choosing your representatives, who would be the Secretary of Treasury, the Secretary of Labor, and the Secretary of HHS. Thus, under the House bill, the Hill leadership could choose their own representatives, which provides distance from controversial decisions, while you would be forced to put three Cabinet secretaries on the commission. Unlike almost all previous commissions, neither the House nor the Senate proposal would give you the right to choose the chair. The reporting date for the commission would be May 1, 1999 under the House bill and one year after passage of the act -- implying a likely deadline of August 1998 -- under the Senate bill.

You could of course oppose the creation of any Medicare commission. However, your advisers would be concerned that opposition to a Medicare commission may be incorrectly viewed as indicating a lack of interest on our part in tackling entitlement reform. John Hilley believes that the Medicare commission will survive in conference regardless of whether we oppose it.

Instead of opposing a Medicare commission, we could try to ensure that any such commission is not over-hyped, forced to follow a face-track decision-making process leading to an up-or-down vote on a package, or in other ways crowds out your ability to put your initial focus on Social Security. There is enough uncertainty over the substance of Medicare reform, even among your top health advisers, that an intelligent analysis of the issues by a commission could prove extremely beneficial. A commission comprising serious, top-flight people could thus advance the cause of Medicare reform by illuminating possible options, much like the Gramlich commission did for Social Security. To ensure that a Medicare commission is beneficial and does not detract from Social Security reform, we would recommend several changes to the congressional proposals:

- **Membership.** We should not be required to name top Administration officials to the commission, which would preferably also not include Senators and Representatives. If its membership includes top policy-makers, the commission may be constrained by possibly premature policy statements and would seem unlikely to engage in the type of wide-ranging analysis most beneficial on the Medicare front. A commission comprising outside specialists and academics seems more auspicious. As mentioned above, the House version currently appoints to the commission the Secretaries of Treasury, Health and Human Services, and Labor, but grants flexibility to the congressional leadership

over appointments. We could fight to remove the Cabinet members from the commission and provide you with full discretion over your appointments.

- **Party balance.** We should also insist on a truly bipartisan commission, with equal numbers of Republicans and Democrats. The current proposals would have eight Republicans and seven Democrats.

Handwritten: This is OK by me 8/8/89

• **Chair.** The chair of the commission could set the tone for the entire exercise. Unlike almost all previous commissions, the congressional proposals do not allow you to appoint the chair of the commission. We could insist that you appoint the chair. As a fall-back, we could ask that the chair be chosen mutually.

- **Consensus voting rules.** We could insist on super-majority (3/5 or 2/3) voting for any of the commission's recommendations -- making it more likely that a diversity of views would be represented in the commission's work. Unfortunately, even super-majority voting may not be able to prevent bad outcomes, given the most likely makeup of the commission. (A super-majority could likely be achieved even if only two of the four congressionally-appointed minority members vote with the majority.)

Handwritten: OK - Moored Health May/anyway - in no case sooner than 1/1/89

Reporting deadline. The House proposal includes a May 1, 1999 deadline. The Senate proposal sets a deadline of one year after passage of the act -- implying a likely deadline of August 1998. An August 1998 deadline is likely to be too soon to permit the commission to conduct a careful analysis. And the May 1999 deadline would allow us time to make proposals on Social Security before the Medicare commission reports.

Analysis. The House proposal requires the commission to use CBO rather than HCFA estimates. HCFA has produced the numbers for previous commissions, and HCFA should produce them here as well.

Handwritten: JCG

Decision

- ☒ Support changes to Medicare commission proposals outlined above
- ☐ Do not support changes to proposals outlined above
- ☐ Discuss

III. Should we support a Social Security commission within the budget legislation?

As noted above, your advisers believe that we should initially focus our long-term entitlement efforts on Social Security. Although it will not be easy to obtain, true Social Security reform would ease the burden from expected increases in the elderly dependency ratio over the next several decades, and would represent a substantial and lasting achievement of your second term. Regardless of the process, *the Administration would need to spend much of next year -- perhaps starting as early as this fall -- educating the American public and reaching out across the political spectrum to build support for reform.* Historically, a short-term crisis has been necessary for change. (Scholars argue, for example, that the success of the 1983 Greenspan commission was due in large part to the imminent exhaustion of the Trust Fund.) We do not face such a short-term crisis now, making it more difficult to motivate reform. Your challenge would be to motivate the nation to sensibly address and protect one of our most successful programs -- so we could avoid dealing with it in a more disruptive crisis environment later. Public understanding of these issues -- though still inadequate -- is far greater than it has been before. And early action would permit time to implement changes gradually -- and slowly phased-in changes may be more feasible than sudden ones.

The immediate question before us is whether creating a bipartisan Social Security commission in reconciliation will help our chances for achieving long-term reform. Some think the best way to proceed on Social Security is to include a commission in the budget legislation. Others think that we should take more time before pushing for a commission, so that we can more carefully consider our options. Then if we decide that we want a commission later, we could always create one by executive order (as with the Greenspan commission in the early 1980's) or by a separate statute.

Option 1: Try to negotiate a bipartisan Social Security commission in the budget legislation

Under the first option, we would engage the Republicans immediately to create a bipartisan Social Security commission within the omnibus budget legislation. The goal would be to make the commission credible and specific: It would be charged with issuing its recommendations within a relatively short time period, perhaps by next summer.

- Under one approach, the commission's membership could include all key policy players from the beginning. This approach would facilitate rapid implementation of proposals.
- An alternative approach would have the commission represent a broader array of relevant groups: older Americans, younger Americans, the unions, corporate leaders, etc. The commission's proceedings would then be used as part of our public education effort.

Following the commission's report, we could hold a smaller high-level negotiating process or look to another process -- perhaps including announcing our own proposals -- to implement reform.

While a commission was undertaking its work, an inter-agency team within the Administration would put together our own proposals. The Administration would then work with the commission and the Hill to reach consensus on an acceptable package that would carry bipartisan support, and to translate the commission's proposals into legislation.

John Hilley wanted to emphasize that even if we try to create a Social Security commission in the budget reconciliation legislation, we may not succeed. Senator Lott and other Republican leaders want to focus initial efforts on Medicare instead.

Option 2: Do not create a Social Security commission within the budget legislation -- instead act later, either with or without a commission

The alternative is not to create a commission within the budget legislation, but rather to engage with the Republicans later -- either with or without a commission. The logic is that we should not create a bipartisan process before we have fully developed our own strategy for Social Security reform and considered what bipartisan processes would best advance that strategy.

For example, our strategy could involve holding our own series of public education events, while reaching out to prominent Republicans like Bob Dole or Warren Rudman. It could include a series of regional public hearings. And it could include a commission created by executive order, or one created by statute. There are many possibilities, and with more time we could think through which ones are most promising. After we reached internal consensus on the right approach, we would be able to present a coherent, unified front and would be more likely to achieve success. And after we evaluate our options, it may turn out that we do not even need a commission: Frank Raines points out that President Carter was able to reform the Social Security system without one.

Pros and cons of including a Social Security commission in the budget legislation

Pros

- It dissipates some of the focus away from a Medicare commission, maintaining momentum behind Social Security reform.
- You would clearly signal your commitment to Social Security reform.

- Secretary Rubin and John Hilley feel that we have a short window of opportunity to engage in a bipartisan process, and that opportunity could be lost if we wait to analyze our options further.

Cons

- It may not make sense to create a commission before we have carefully explored the best strategy for achieving reform.
 - Moving now would not allow us time to consider our options and to consult with the Republican and Democratic leadership, Senator Moynihan, the AARP, and others on how best to proceed.
- Given that Senator Lott and other Hill leaders want to focus initially on Medicare, we may not even succeed in getting a Social Security commission into the budget legislation.
- Some are not sure that a commission is beneficial or necessary for effecting reform.

Decision

_____ Create Social Security commission within budget legislation

_____ Do not create Social Security commission within budget legislation to allow more time to consider strategy

_____ Discuss

*Don't have strong feeling but it's not all viable
to call for commission - if I call Moynihan
he will be sure*

Action

We will be convening an NEC inter-agency process with your budget team, HHS, DPC, and others appropriate to consider both the strategy and substance of Medicare and Social Security reforms. I will talk with Erskine about how best to design a process for ensuring that we maintain the appropriate degree of confidentiality while still benefitting from the insights of relevant agencies and officials.

If you want to create a Social Security commission within the budget legislation, we will hold an expedited process to present you with options on how that commission should be structured.

THE WHITE HOUSE
WASHINGTON

July 3, 1997

MEMORANDUM TO THE PRESIDENT

FROM: Chris Jennings *ccj*

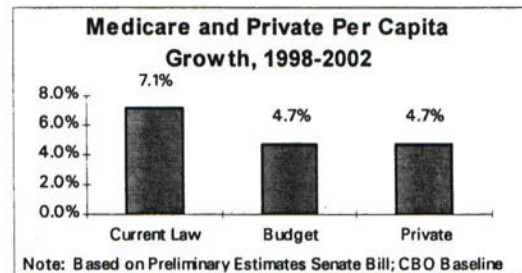
cc: Gene Sperling, Bruce Reed, John Hilley

SUBJECT: The Challenge of Long-Term Medicare Reform

Both the House and the Senate reconciliation bills include a Medicare Commission to address long-term reform. Your policy advisors from NEC, DPC, CEA, OMB, HHS, and Treasury have uniformly concluded that it is highly unlikely that a politically and policy-viable Medicare reform initiative, which comprehensively addresses the program's long-term financing challenges, can emerge from a Commission within the next one or two years. This memo focuses on the underpinnings of this conclusion and supplements the decision memo Gene sent to you yesterday.

BACKGROUND

The Medicare reforms in the budget agreement represent a major restructuring of the program and produce savings that are larger than any enacted in the history of the program. In fact, the Congressional Budget Office (CBO) projects that Medicare spending under the budget would slow from 7.1 percent per capita to 4.7 percent on average between 1998 and 2002 — almost exactly mirroring the projected private premium growth of 4.7 percent. Medicare's Actuaries estimate that the policies we are supporting in the upcoming House/Senate conference would extend the life of the Hospital Insurance (Part A) Trust Fund through 2010.

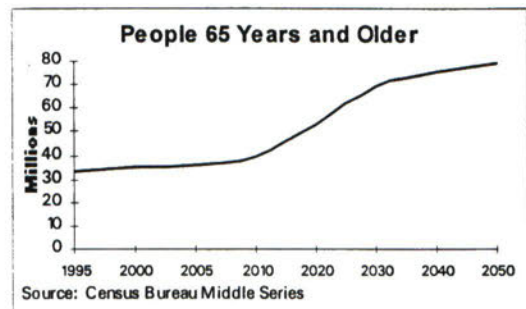


Even more important than the unprecedented level of savings credited to us by CBO are the structural changes to the program that have extraordinary potential to constrain Medicare growth for a much greater time than a traditional 5-year budget would produce. Specifically, your reforms provide for: (1) more managed care plan choices (PPOs and Provider Sponsored Organizations); (2) the authority to develop and implement "risk adjusted" managed care

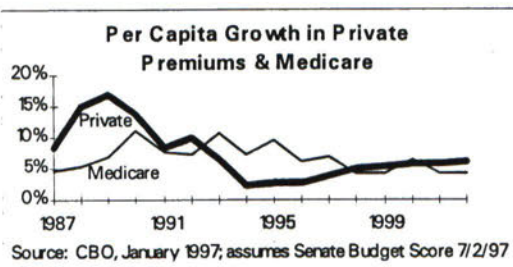
reimbursement reforms; (3) the establishment of prospective payment for nursing homes, home health care, and outpatient departments; (4) the authority to use new “prudent purchasing” techniques (like competitive bidding for the myriad devices and services that Medicare buys); (5) a major set of anti-fraud and abuse initiatives; and (6) the coverage of services and tests that detect diseases before they become severe and expensive to treat. These important provisions could produce savings that would have a significantly positive impact on the state of the Medicare Trust Fund during the next decade and beyond.

Although CBO does not give full credit to the above-mentioned structural reforms as producing significant “scorable” savings, health policy experts agree that they are more important to the program’s long-term viability than traditional fee-for-service cuts. The elite media, however, does not define these major changes as “structural reform” because their definition cannot be met unless beneficiaries are directly hit and are complaining about it.

Regardless of all the positive changes to Medicare we hope to make this year, the long-term financing crisis remains constant. Medicare’s spending growth, while constrained in the next 10 years due to the budget, will increase thereafter. This growth will be primarily driven by demographics. Beginning in 2010, the baby boom generation begins to turn 65 years old. The number of people age 65 and older is projected to increase from 39 million in 2010 to 69 million in 2030. People aged 85 and older will double by 2025 and increase fivefold by 2050. In 2030, one in five Americans will be elderly compared to 13 percent today. This will have an enormous impact on Medicare although its impact might be mitigated by other trends. For instance, seniors in the 21st century might be wealthier or healthier and have less of a need for health care. Or, if given the opportunity or need, they might choose to extend their working careers and maintain their employer coverage.



Additionally, Medicare’s spending growth is inextricably linked to general health inflation. In fact, with the exception of the last several years, Medicare spending growth per beneficiary has paralleled that of the private spending per person over the last 30 years. This is good news as long as the private sector continues to be successful at constraining costs to the levels they have in recent years; unfortunately, the most recent forecasts predict a possible return to higher private



sector health care inflation. The unanswerable question in health care these days is can private and public successes in constraining cost growth be repeated for long periods of time OR are we about to witness a new cycle of inflation that will not easily be broke because the excess in the system was squeezed out in the 1990s.

This uncertainty is increased by the nature of health care. The factors that affects its growth — different disease patterns, scientific break-throughs, changes in technology and health care delivery systems — will have profound but as-yet unknown effects on Medicare spending's rate of increase. If, for example, the new age of biology starts producing remarkably successful treatments for extraordinarily expensive diseases, a brand new and positive Medicare Trust Fund cost projection could ensue.

Range of Options

Unfortunately, in the proposed Commission's one to two-year time frame, we will not know the real benefit of the new structural reforms. We also will not have any better understanding of possible dramatic positive or negative health spending trends, described earlier, that could change the size and nature of Medicare's long-term problem. As a result, any Medicare Commission would work off assumptions that are fairly close to our current projections — however flawed and temporal they may be. So, for instance, working off of this baseline, even if we could maintain a relatively low per capita cost growth over an extended period of time, the Actuaries suggest it would still be necessary to find hundreds of billions to make the Trust Fund solvent in the long-term. This would require the Commission to consider all or a combination of the following range of options:

Provider cuts. Reducing payment rates to providers is typically the first place that policy makers go to achieve Medicare savings. Both in the recent past and near future, there has been enough excess in the system to generate significant savings from this approach. While there are still ways to improve provider payments, the size of the financing problem will dwarf savings from these changes. Provider cuts that reduce Medicare growth well below private premium growth could potentially cause problems with access, quality, hospital closure, and the general criticism of turning the program into a "second class" system.

Benefits reduction. Another way to reduce costs is to reduce what is covered. Although strong arguments can be made for re-designing certain benefits to have a greater and more traditional copayment structure, such an approach would do little other than to cost-shift to private Medigap plans or the Medicaid program which, taken together, cover 85 percent of the elderly. In so doing, we would not be addressing the over-utilization problem unless we prohibited Medigap plans from offering the first-dollar copayment coverage. While arguably good policy, such an approach does not seem likely to emerge from the current Congress. Finally, and perhaps most importantly, the Medicare benefits package — contrary to its image — is not excessively generous to start with. In fact, because it does not cover prescription drugs or cover catastrophic costs, it ranks in the 20th percentile of plans offered by large businesses. As such, reducing the benefits package is not easy to do when it already has a value well below that of the standard Federal employee package.

Unlike Social Security, there has been no comprehensive attempt to define problems and new trends facing the program, and to develop thoughtful analysis and options. If we assume current trends and push forward with recommendations on Medicare, we will face a choice of extremely difficult and unpopular options — options that appear unlikely to gain much consensus, particularly in the absence of a perceived crisis. Moreover, attempts to move quickly may well lead to ill conceived and inadequately considered proposals that could undermine rather than strengthen Medicare. Finally, groups such as AARP have quietly indicated to us a great preference for Social Security over Medicare reforms, and are willing to work with us to help educate their Members and younger generations of Americans on this matter.

As a result of our concerns with the Medicare Commission provisions pending in the budget conference, we are recommending that we focus our efforts on redesigning any Commission that emerges from the budget reconciliation bill to be a study-oriented, non-binding body that is not “stacked” against the Administration. Its findings would be used to inform and advance the debate on how to address the long-term financing challenge, but the Commission itself would not be expected to come up with the final resolution(s) to the problem.

Finally, in suggesting a cautious approach with any Medicare Commission, we are not advocating allowing Medicare’s problems to go unaddressed. As we better understand the dimensions of the long-term problem, we can take the necessary actions that the problem requires. In the meantime, we should give serious consideration to addressing the policy shortcomings of the income-related premium proposal passed by the Senate to make it acceptable for inclusion in either the budget agreement or some other legislative vehicle that subsequently becomes available. (Clearly, opting for this type of reform in the context of the balanced budget will require a reading by John Hilley and others of how it would affect the votes from our rather shaky Democratic base in the House.) In addition, there are other reforms like postponing Medicare’s eligibility age to 67 (with protection to ensure access to coverage), making Medicare managed care more competitive, requiring Medicare managed care plans to offer standardized benefits (e.g., basic coverage and basic plus drugs), and Medigap reforms that could make significant contributions to the long-term financing problem.

We will keep you informed of both developments on the Hill with regard to the Commission and our internal discussions about long-term financing reform of the Medicare program.

Beneficiary contribution increases. Last week, the Senate affirmed a growing sentiment that Medicare beneficiaries should shoulder more of the costs of Medicare through both premium and cost sharing increases. While there is undoubtedly some room to do this, particularly for premiums for high-income beneficiaries, it is important to keep in mind that Medicare's benefits pay for less than half of the health care costs of seniors; the average community-based elderly person pays about \$2,600 per year for premiums and out-of-pocket health care costs. In addition, increased cost sharing — as mentioned above — has its effect blunted by Medicaid and Medigap. And, lastly, even if we assume the enactment of all of the new beneficiary contributions passed by the Senate, the life of the Trust Fund would be extended by less than 2 years.

Defined contribution / voucher / private plan approach. During the 1995 budget debate, Republicans proposed to cut \$270 billion primarily by putting a cap on Federal Medicare spending. In other words, beneficiaries would be entitled to a fixed dollar amount or “defined contribution” rather than a defined benefit. This approach is similar to increased beneficiary contributions in that its effect (if not its goal) is to limit Federal liabilities. And, like beneficiary contributions, it may not slow overall Medicare cost growth. Plans and providers may react to the fixed contribution by reducing their own costs to compete within this cap. Alternatively, they could erode the benefits, quality of care, or bill beneficiaries to make up for losses. If not done extremely carefully, this policy could undermine Medicare’s basic promise of health care for the elderly and disabled. Moreover, since the program is already growing at a relatively modest 5 percent per person clip, a defined contribution’s growth would have to set well below this amount to achieve the savings needed under today’s definition of the Trust Fund problem. In fact, the Medicare Actuaries estimate that this growth would have to be below general inflation (about 1 to 2 percent per capita) to achieve long-term solvency without tax increases. Over time, this could produce access problems as managed care plans avoid the sickest beneficiaries.

Taxes. If there is not a significant downward adjustment in the current long-term financing projections, a bipartisan Commission would likely be forced to suggest a significant increase in the current Medicare payroll tax. For example, even if we assumed success in maintaining per capita growth rates at or below 5 percent through provider payment reductions and structural reform, the Medicare Actuaries project the need for a 2.4 percentage point increase in the Medicare HI payroll tax (to 5.3 percent from 2.9 percent). Such an increase would raise \$540 billion over 5 years.

Conclusion

Medicare’s long-term financing is one of the most important public policy issues of our generation. However, as outlined above, the exact size of the problem depends on health inflation trends, the nature of the demographic changes, and the long-term impact of the structural reforms passed in this year’s budget. We are concerned about the potential negative consequences of a Commission that has the almost impossible burden of reviewing a rapidly changing program in a compressed amount of time and, in so doing, developing ill-informed and rushed recommendations.

THE WHITE HOUSE
WASHINGTON

June 20, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: SYLVIA MATHEWS *mat*

FROM: BRUCE REED *all for all*
STEVE SILVERMAN
DIANA FORTUNA

SUBJECT: Following up on the Service Summit

CC: Ann Lewis
Bibb Hubbard

Since the successful Presidents' Summit for America's Future in Philadelphia, we have met with the leaders of "America's Promise." General Powell's non-profit organization; worked to implement the substantive announcements you made in Philadelphia; begun to develop a communications strategy to ensure that your vision of service is included in continuing coverage of the summit effort; and begun to design a strategy for reauthorizing AmeriCorps and other Corporation for National Service programs. Below is an update on these efforts.

America's Promise

The 501(c)3 non-profit organization to follow up on the goals of the summit has gotten off to a slower than expected start. The original CEO, Rick Little, has moved to a more limited fundraising role. General Powell and his team are looking to hire a CEO, a COO and several other senior staff to work on communications and developing new commitments. America's Promise is expected to have about 35-40 staff members. The team has managed to elicit about 100 new commitments by corporations and non-profits since the summit.

As you know, in March we suggested some names for the board of directors and for the five advisory task forces. Out of 19 Board members, two are based on your suggestions: Jamie Gorelick and Lou Holtz. Henry Cisneros and Lynda Robb are expected to continue to serve as vice chairs. Other members of the board include Herman Cain, Ray Chambers, and Billy Shore. The task forces (one for each of the five resources for children) are essentially not operational at this point; questions have been raised about their role and utility.

*We need to coordinate
ongoing policy efforts w/
ongoing Service Summit
efforts to keep the tie
between the two closer*

R

*Copied
Mathews
Reed
Silverman
Fortuna
LOS*

A threshold question for future discussion is what connection, if any, the Administration should have with America's Promise and its goal of reaching two million children by the year 2000. If you agree, we will continue to meet with General Powell's people on a regular basis to demonstrate our desire to work together on these issues, to find areas of commonality, and to find opportunities that might be appropriate for joint appearances. Additionally, we have agreed to identify Cabinet members who might participate in the numerous local summits that are planned around the country. General Powell has already participated in three such summits and is expected to do others. Needless to say, he receives very positive press when he participates (St. Louis, Boston, rural Pennsylvania). Moreover, the General often talks about summit themes in his other speeches, and apparently spends considerable time on the telephone with CEOs generating their support for the work of America's Promise.

Substantive Follow-Up

We have begun to implement the policy initiatives you announced before and at the summit. The Corporation for National Service is confident it can meet our target of adding 50,000 new AmeriCorps scholarships over the next few years. (For your information, Harris Wofford has met with the Rev. Tony Campolo about his "Mission Year" service program. Rev. Campolo's program may be eligible only for part-time rather than full-time scholarships because participants spend some time on religious activities. Because of these concerns, Campolo is not sure he wants to apply for AmeriCorps scholarships, although he remains very supportive of the program.) We are tracking federal agencies' work as they implement the more than 40 commitments they made to the summit. We will include our proposal to subsidize all loan deferments for service in our proposed legislation to reauthorize higher education programs.

Communications Follow-up

Reporters have not yet focused critically on what has been achieved since the summit, but it is inevitable they will do so in the next few months. In your public appearances since the summit, you have demonstrated your continuing commitment to its goals by mentioning it in appropriate forums, including the Welfare to Work Partnership event and the Business Roundtable speech, while the Vice President's announcement in May of a new welfare mentoring partnership with civic groups is very much in line with the summit's goals. You and the other principals should continue to include discussion of Summit themes in appropriate speeches. To this end, we will work with the speechwriters to ensure that you refer to the summit's success, the challenge of its ongoing task, and the theme of service and AmeriCorps at appropriate venues.

Moreover, we will work with communications and scheduling to develop ideas for additional events. Possibilities include an event to publicize the new high school service scholars program you announced last year; an event with AmeriCorps to publicize the new scholarships and announce the winners of their latest competition; bringing in CEO's to report on their progress since the summit; or events that would tie the summit's themes to our initiatives, such as linking our juvenile justice initiative to the "safe places" goal. We could seek other synergies between the summit and the Administration's core themes, especially welfare to work and racial reconciliation.

In fact, we will look for opportunities to link citizenship and service -- as you did in your commencement speech at the University of California - San Diego. In this regard, we will explore the possibility of having an AmeriCorps event with community groups where the emphasis is on racial reconciliation. Perhaps the Advisory Board on your race initiative should consider utilizing service as a method to encourage the racial reconciliation dialogue and thus broaden the impact of both issues. Finally, we are working on a communications plan for Administration involvement in this issue, and specifically looking at options for staff members to learn of opportunities to volunteer on a regular basis as individuals or as part of a group.

AmeriCorps

AmeriCorps' initial authorization expired last year. While reauthorization is not necessary for AmeriCorps to get funding, this may be our best opportunity to take this issue on and seek the program's first reauthorization, one that would carry it past the year 2000. The Corporation for National Service has prepared a draft bill that appears to be solid and that takes a middle course on issues that have been divisive in the past. We could launch that new legislative proposal in a bipartisan event that focuses on AmeriCorps' achievements to date.

We will keep you apprised of our efforts as we go forward.

THE PRESIDENT HAS SEEN
7-7-97

Copied
Jennings
HRC
COS

THE WHITE HOUSE
WASHINGTON

July 3, 1997

97 JUL 3 PM 7:08

cc HRC

MEMORANDUM TO THE PRESIDENT

Mandy

FROM: Chris Jennings cc

Pol

SUBJECT: Recent Children's Health Coverage Estimates and Brief Review of Health Investment Alternatives, Including 21st Century Biomedical Research Trust Fund

Following up on our conversation last night, this memo responds to your questions about children's health coverage estimates, policies and health investment issues in general.

CBO's children coverage estimates. First, it is important to explain in more detail the CBO analysis and policies discussed in yesterday's *New York Times* article. The low estimate of around one million children covered by the House and Senate bills reflects both flaws in the policies and particularly conservative assumptions used by CBO. CBO assumes that states will use some of the new funds to lower their current state spending — contrary to many analysts' belief that states will leverage, not reduce, existing state investments. They also think that having a higher matching rate for the new program will create an incentive to classify children already covered in Medicaid as higher income children to receive the extra Federal funding. In addition, CBO assumes that a number of children will switch from private insurance coverage to the new program.

Updated estimates. Since yesterday's *Times* article, two estimates have been released that increase the figures cited by Robert Pear. Just today, I received a copy of CBO's final analysis of the Senate bill. It reports that 1.7 million uninsured children would be covered by the \$24 billion proposal — 2.0 million uninsured children without the mental health parity provision. This estimate is higher because of the tobacco tax revenue and the effect of new accountability rules. Combined with HHS's estimate that 2 million eligible uninsured children could be enrolled in Medicaid without Federal funds (through outreach, etc.), we could easily claim up to 4 million uninsured children even using some of CBO's new yet still conservative estimates. At least as noteworthy, the Children's Defense Fund released a report today that estimates that 6.1 million uninsured children could be helped by the \$24 billion Senate bill (and over 4 million for \$16 billion). We are analyzing both reports, but they are clearly headed in the right direction.

Validity of some CBO concerns. While we believe that CBO estimates are excessively conservative, we do share their legitimate concern about how to best to target the funds. In fact, as I mentioned last night, the article will likely be helpful in that it will provide the needed push to get more effective targeting provisions into conference. As we do this, however, we must balance the need to ensure accountability with the need to avoid onerous provisions that do little more than provide disincentives for states to participate in this voluntary program in the first place. We also must guard against the inclination of helping make CBO the final arbitrator of insurance take-up rates. We empower them at our peril, since few believe they will significantly move off of their current assumptions.

Potential solutions. We are working on perfecting and are promoting two general approaches to better assure that the Federal investment goes to the greatest number of children. The first deals with providing better financial incentives to states to do the "right thing." The second focuses on additional accountability rules that give the new Federal dollars if states meet certain conditions.

(84) The financial incentives we are working on would provide greater Federal matching rates for all newly enrolled child, not just children above current mandatory levels. We would give a state a higher matching rate for any additional child enrolled in Medicaid or the grant program above the number of children currently enrolled in Medicaid. This takes away the inefficient incentive in the Senate and House bills for states to get higher matching for a child above poverty. Another approach is to reward states that use proven methods for covering children, such as targeting children whose parents have changed jobs or using school-based enrollment approaches, such as the Florida "Healthy Kids" program.

The accountability rules we are promoting would build on and reform the different maintenance of effort (MOE) provisions that are included in both the Senate and House bills. They are designed to protect the new Federal dollars from being used to substitute for current expenditures by either the States or employers/employees wanting to reduce their health care premium costs. The approaches we think most worth considering are asking states to maintain their current programs' eligibility — to prevent states from moving optional Medicaid kids into the new program — and maintain current spending on existing programs. We also support the Senate bill that does not allow states to cover the employee share of the premium or family coverage. CBO and our staff agree that this would allow funds to be used by families who would have been insured anyway. And, consistent with the Senate bill and Medicaid rules, we strongly oppose the use of provider taxes and donations for the state share of the new program.

There is no question that it will be a great challenge in the coming weeks to balance provisions that promote efficiency with state flexibility. States will assert that policies like those outlined above interfere with their own ability to target funds efficiently. Furthermore, states like Rhode Island and Vermont, which have already expanded children's coverage through Medicaid, will argue that the maintenance of effort is unfair. They contend that they should not be penalized permanently for deciding to have voluntarily chosen to expand coverage.

Lessons of targeted reforms. The difficulty — politically and policy-wise — in targeting uninsured children has two important implications. First, additional money alone will not result in all children receiving health insurance. One-third of uninsured children are already eligible for Medicaid — a free program with generous benefits. Another third have incomes above 200 percent of poverty; policies that try to find those children will surely end up enrolling two to three times as many already-insured children. For these reasons, allocating more than \$24 billion for children's coverage may not be very cost-effective. Keeping this in mind, it is prudent that you and the economic team are now recommending dedicating the additional \$7 billion (on top of the \$8 billion currently allocated for children's coverage) to other children's issues -- such as adoption and child care.

Second, these same problems hold true for insuring Americans in general. Stated bluntly, no voluntary health insurance program will ever cover all uninsured Americans, even with an unlimited budget. If there is some financial contribution required, many families will voluntarily opt to not purchase insurance. On the other hand, there will always be people who join these programs who already have insurance. There is no failsafe mechanism that completely prevents "crowd out." Moreover, the larger the initiative, the higher the income eligibility, the greater the risk. Thus, the assertion in yesterday's *USA Today* may be right: without a government policy that requires everyone to be covered, it is virtually impossible to cover all 40 million uninsured.

Consequently, we are approaching possible uses of additional revenue from an increased tobacco tax and/or from the tobacco settlement with caution. As with children, focusing on low-income adults or groups who are unlikely to have access to private insurance may be the most fruitful. For example, job loss and job change are the single largest reason why families lose health insurance. Creating a Medicaid option for these families would increase their access to insurance. Similarly, people between 55 and 65, who have either retired early or whose firms have downsized often find themselves with few affordable insurance options. A Medicare buy-in or premium assistance for COBRA may help these people, as we discussed. We are also exploring other options such as strengthening the public health infrastructure and augmenting our research budget.

21st Century Research Trust Fund Update

To explore biomedical research investment opportunities within the context of the Tobacco Settlement, I met with Dr. Varmus and researchers throughout the Federal government today. As you requested, I pulled Dr. Varmus aside and asked him what he thought of a 21st Century Research Trust Fund concept. He was very interested and wanted to have additional conversations about it. His only immediate concern was that we make sure any new dollars supplement -- and not supplant -- those the NIH are already getting from the Hill. We will keep you apprised of his recommendations and our ongoing discussions with him.

THE PRESIDENT HAS SEEN
7/4/97

Dear President and Mrs. Clinton,

A compact disc of of jazz performances by our son, Sam Yahel, has just come out, and Chana and I are very proud of him. I hope you will enjoy his album, "Searching". There are some good sounds on these tracks, some nice horn playing, and you know the leader of the band! Sam "organ-ized" this disc in both senses -- he put the group and the music together and he's the one on keyboard.

With best regards from our family,

Marc

Marc Winer

Do try for me to sign

Box

Marc Winer

27 June 1997

JIM DORSKIND:

Please coordinate
the reply.



OFFICE OF THE VICE PRESIDENT
WASHINGTON

THE PRESIDENT HAS SEEN
7-7-97

copied
VP
COS

July 2, 1997

MEMORANDUM FOR THE VICE PRESIDENT

FROM:

LEON FUERTH

SUBJECT:

Reorganization of Foreign Affairs Agencies

As you requested, here is my assessment of the situation the administration now faces concerning the reorganization of foreign affairs agencies.

Earlier this year you issued a statement expressing the administration's position on reorganization, including specific points relating to AID. You said that the AID Administrator would report to the Secretary of State, but that AID would remain a separate agency with its own budget authority, responsibility for program development and management, and legislative and public affairs arms. Although an imperfect model, this reflected the administration's judgment that development assistance needed to be more than the sum of its geographic and programmatic parts. It required a core set of principles, a foundation of national policy, and an array of professional expertise.

Subsequently, the House passed the Gilman bill, which gives the President virtual carte blanche to reorganize the foreign affairs agencies. Gilman agreed to give the President this latitude only because the White House threatened a veto if the bill prescribed a specific reorganization plan.

The Senate is now considering its bill, Helms-Biden. The current draft legislation and the accompanying report contain provisions that have the effect of significantly curtailing the AID Administrator's authorities under any reorganization that the President might submit. Brian has cited three specific areas of concern: budget authority, program design and management, and legislative and public affairs.

First, Helms-Biden in a confusing sequence of provisions strips the AID Administrator of his budget authority. It does this by transferring to the Secretary of State the functions of the Director of the International Development Cooperation Agency (the legal entity created during the Carter Administration for which the AID

Administrator is dual-hatted). It then directs that funds deemed allocated to the IDCA Director are deemed allocated to the Secretary of State without further action by the President. The Secretary then has full authority to make further allocations. (Under current law, the funds are allocated to the President who reallocates them to Brian as Director of IDCA, who then allocates them to himself as Administrator of AID.) Helms-Biden also contains a "sense of the Senate" provision that the Director of OMB "should apportion assistance funds...to the Secretary of State in lieu of...the head of any other federal agency." Lest there be any question that the bill means to remove this authority from Brian, the report language says with even greater precision that "the committee's intent is...that these funds are apportioned to the Secretary of State, and not the Administrator of AID." In short, the Senate bill removes the AID Administrator's authority over the AID budget, contrary to the agreement reflected in your press statement earlier this year in which you stated that AID would retain its budget authority.

Second, Helms-Biden assigns to the Secretary of State what are termed "coordination activities," including "designing an overall assistance and economic cooperation strategy; " "ensuring program and policy coordination among [US] agencies...;" "pursuing coordination with other countries and international organizations;" "ensuring proper management, implementation and oversight by agencies responsible for assistance programs;" and "resolving policy, program and funding disputes among [US] agencies." Brian argues, quite correctly in my view, that these are program development and management functions, not "coordination activities." Assigning these responsibilities to the Secretary effectively means that she will run AID.

In theory, the Secretary could delegate authority to conduct these "coordination activities" to the AID Administrator, but instead Helms-Biden envisions the Secretary playing the key role in this area. The bill requires AID to detail to the Secretary of State on demand such AID employees as she may require to carry out the "coordination activities." Originally, the bill instructed the Secretary to carry out her responsibilities through the assistant secretaries in the regional bureaus. This language was removed from the bill itself, but reappeared in report language which says in part: "It would be logical that the regional assistant secretaries of state serve as aid coordinators...."

Finally, and again contrary to the administration's policy as articulated in your press statement on reorganization, Helms-Biden transfers AID's legislative and public affairs offices to the State Department, thus completing the removal of Brian's core responsibilities relating to budget authority and program development and management.

In his letter to you, Brian states that Helms-Biden would destroy the degree of autonomy for AID that the administration called for. As I talk about this now with others, I find some uncertainty as to whether Helms-Biden is as dire for AID as Brian says. I know that Sandy Berger is worried about this and is seeking clear analysis. I also know

that Madeline Albright is seeking compromise language that would mitigate some of the worst aspects of Helms-Biden, in the hope that Brian will withdraw his request for a veto threat. But for the moment, the best I can do is to give you my read of the legislation -- with the caveat that a more polished and thorough evaluation is being prepared at Sandy's request.

In my opinion, although it may be argued that the present Secretary of State might not use the bill's authority to maximum effect, if provisions of the bill are clearly intended to make possible the complete assimilation of AID, even a restrained use of these authorities would substantially diminish AID's ability to function with the measure of autonomy foreseen by the administration's approach. Moreover, in a subsequent administration a future Secretary of State could well use these authorities to complete the deconstruction of AID.

There needs to be a meeting of the minds within the White House as to how serious a problem these matters are, in relation to the objective of having an AID that continues to have its own core identity and function. If a judgment is reached that the challenge to AID is not that bad, it follows that Helms-Biden is in the net very attractive for what it offers for the United Nations. If the challenge is severe, however, then a judgment must be made as to whether to risk what Helms-Biden offers the UN by threatening to veto the legislation unless its deficiencies regarding AID are fixed.

Brian argues that in reality a threat of veto would probably cause problems relating to AID to be remedied, without cost to the legislation's benefits for the UN. He cites the use of a deeper threat in relation to the House bill and notes that it was highly effective. Obviously, however, this is not a scientific proof but Brian's personal reading of the political dynamics in play. If he turns out to be wrong, and the administration follows his advice, we could lose something that we value very much.

So I would recommend a two-step process in which we first reach a clear appraisal of what the bill would mean for AID and an estimate of the risk involved in vigorously seeking to fix the bill's AID revision. The variables are how bad are the consequences for AID and how steep are the risks of getting them fixed. This assessment needs to be done quickly because a delay may mean that we lose our best chances to make a move, if that is what we are going to do.

P. S.

But his thinking seems to be at an early stage, & the problem is moving fast. M

I met this morning with Tom Pickens, who is trying to figure out a good-faith approach involving a constraint on the manner in which Sec of State could use our authorities.

THE PRESIDENT HAS BEEN

7-7-97

Back to U8

7-7-97
Dm-

Call Ellen Lowell

& get a quiet answer.

Melanne is finally

Phil

HONORARY PARTICIPATION REQUEST

Please return to Woynneab Wondwossen, Room 93 ^{157 JUL}

Today's Date: July 7, 1997

Date of Request: 7/7/97
Request for: POTUS/FLOTUS
Type of Request: Honorary Chairpersons
Requestor Name: Mrs. Jeanne Moutoussamy-Ashe
Title: President and Chief Executive Officer
Address: The Arthur Ashe Foundation
100 Park Avenue
New York, New York 10017-5516
Contact Tel. #: 212/907-5900
Event Date: 8/23/97 [Print Deadline - 7/⁹~~11~~/97]
Event Description: The Breaking Barriers Gala
Notes: The Arthur Ashe Foundation strives to eliminate racism and implement support programs for disadvantaged youth. The Breaking Barriers Gala will celebrate the naming of the Arthur Ashe Stadium, the 50th anniversary of Jackie Robinson's entrance into major league baseball, and Tiger Wood's Masters victory. Proceeds from this fund-raiser will go toward health-related, educational, and athletic programs for at-risk youth. Vernon Jordan recommends the President and First Lady accept. The President also notes that he is inclined to accept.

The President and First Lady should ACCEPT.

Recommendations:

MV _____ TS OK - Phil for Bald
(Unless otherwise noted, a yes answer will automatically generate a message as well as acceptance of the honorary position).

Comments:

7/7/97

Todd -

We just received this today. The incoming indicates that the group is seeking an answer by today. We have spoken with Mrs. Moutoussamy-Ashe, and she tells us she can hold off until Wed., 7/9.

Dan

THE PRESIDENT HAS SEEN

7-2-97

7/7/97(94)

THE ARTHUR ASHE FOUNDATION

100 Park Avenue New York, NY 10017-5516

Phone (212) 907-5900 Fax (212) 818-0820

June 27, 1997

President William Jefferson Clinton
1600 Pennsylvania Avenue NW
Washington, DC 20500

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*"I know I could never forgive myself
if I elected to live without humane
purpose, without trying to help the
poor and unfortunate, without
recognizing that perhaps the purest
joy in life comes with trying to help
others."*

- Arthur R. Ashe, Jr.
from "Days of Grace"

Dear Mr. President,

I have asked my friend, Vernon Jordan, to personally deliver this letter. I would be honored if you and Mrs. Clinton would serve as Honorary Chairpersons for a gala dinner on August 23, 1997 to celebrate the naming of The United States Tennis Association's premier tennis stadium, The Arthur Ashe Stadium.

This celebration, the Breaking Barriers Gala, will be an important historic event for all Americans. In addition to the naming of The Arthur Ashe Stadium, the Foundation will also celebrate the 50th anniversary of Jackie Robinson's entering major league baseball and the impressive victory of Tiger Woods at the Masters in Augusta. The Aetna Voice of Conscience award will be presented to Rachel Robinson, wife of Jackie Robinson, for her unwavering commitment to our young people.

The Arthur Ashe Foundation is dedicated to promoting respect for the individual; the elimination of racism; increasing access to health and education; and the teaching of other life skills to at-risk youth through the sport of tennis. The Foundation hopes to raise \$1.5 million through the Breaking Barriers Gala to support its programs for disadvantaged youth.

Mr. President, I would be so appreciative if you and Mrs. Clinton could join me and my daughter, Camera, on this historic day. The ribbon cutting ceremony will precede Arthur Ashe Kid's Day in the new stadium on the afternoon of August 23rd. I know that your schedule is difficult but your presence and participation in this event will mark it as one of the most important days in sports history. It will also honor the legacy of Arthur Ashe in a most extraordinary way.

I will call Vernon in the next couple of days in the hope that you and Mrs. Clinton will at a minimum lend your names and support. We will need to finalize the invitation by July 7th and would like to include your names as Honorary Chairs of the event. My daughter and I want to thank you for your consideration and want you to know that we have tremendous admiration for you and the work that you are doing to move this country forward.

With our sincere appreciation,

Jeanne Moutoussamy-Ashe
Jeanne Moutoussamy-Ashe



EMBAJADA DE MÉXICO

57 JUL 7 10:25

México, D.F., a 4 de julio de 1997

Excelentísimo Señor
William Clinton
Presidente de los
Estados Unidos de América

A nombre del pueblo y Gobierno de México, envío a Vuestra Excelencia mis más sinceras felicitaciones con motivo de la Fiesta Nacional de los Estados Unidos de América.

Hago propicia la oportunidad para desear a Vuestra Excelencia, al noble pueblo y al Gobierno de los Estados Unidos de América, prosperidad, salud y bienestar.

Ernesto Zedillo
Presidente de los
Estados Unidos Mexicanos

7/7/97
Passed to Stf Secretary
by Mack McLarty

Send to WSC?

Yes ☒
No ☐



EMBAJADA DE MÉXICO

UNOFFICIAL TRANSLATION

Mexico City, July 4, 1997.

H. E. Mr. William Clinton
President of the United States of America

On behalf of the People and Government of Mexico, I wish to extend to Your Excellency my most sincere congratulations on occasion of the United States' National Day.

I avail myself of this opportunity to wish to Your Excellency and to the noble people and government of the United States of America, prosperity, health and well-being.

Ernesto Zedillo
President of the
United Mexican States

*Maureen Lewis
to prepare reply.*

THE PRESIDENT HAS SEEN
7-7-97

POSNER, POSNER AND POSNER

ATTORNEYS AND COUNSELORS AT LAW

712 PENOBSCOT BUILDING

DETROIT, MICHIGAN 48226

(313) 965-7784

SAMUEL POSNER
GERALD F. POSNER

ERIC D. FREY

June 6, 1997

ELIZABETH F. POSNER
(1916-1995)

*Reply
cc Counsel's office*

President Bill Clinton
First Lady Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

*copied
WH Counsel
COS*

Dear Mr. President and Mrs. Clinton:

I would like to thank you and everyone else involved for having Zach accepted for a White House internship this summer. He is assigned to Political Affairs, working under Linda Moore, and is enjoying the experience tremendously.

He called me last night and told me that he was scheduled to meet you on Monday and have a photograph taken. Needless to say, he is quite excited, and I know you realize from your own experience how thrilling it can be for a young man to so meet the President, and how it can influence his life. So far this summer, his only photo op with a member of the first family was with Socks who was uninterested in chasing a string, typically concentrating all feline attention on someone's turkey sandwich. Still, he found Socks's alertness superior to that of Strom Thurmond.

I apologize for not having written since your knee injury in March. We all wish you well and hope that you have a speedy recovery. In the last few shots I saw of you walking with the cane, you looked a little rough and it looked like it was a real effort to keep up the smile. I hope the healing process is going well, and that you are back to walking and golfing normally by the end of the summer. As of today, I just might be competitive with you on the golf course, but after you heal a bit more, forget it.

*To
WH
Counsel.
SV*

Turning to matters on the judicial front, Senator Levin has just recently submitted three names to you for nomination to the district court bench in the Eastern District of Michigan. His judgment is to be commended, and I urge you to nominate these three individuals. When the committee used to screen candidates came out with their initial list of nine, I was rather concerned because the list was, frankly, rather weak, particularly given the 77 candidates interviewed. Out of the nine, there were only four strong candidates, four mediocre

ones, and one terrible one. Senator Levin has wisely chosen three of the four top candidates.

Judge Steeh comes from a family of judges, is one of the top judges in suburban Macomb County Circuit Court, and I have never heard any negative comments about him. The selection of Victoria Roberts is not the nomination of a typical State Bar President, many of whom are not the best or brightest but have merely made it up the political bar association ladder. She has shown herself, through her actions and writings, to be an intelligent and articulate young woman who has a keen understanding and appreciation of the legal justice system, and its importance and role in our society.

Finally, we come to my favorite, Art Tarnow. I have known Art pretty well over the last dozen years, since his sons went to school with Zach from elementary school through high school. We've had discussions on legal issues at probably hundreds of soccer and baseball games and on numerous other occasions as well. He is extremely intelligent and has a strong sense of justice and practicality. He is someone I think you would really like on a personal level. He is low key, with not an ounce of pretention. He and Jean still live in Detroit and their eldest son is living at home and attending my alma matter, Wayne State University. His background as a practitioner is refreshing as well, coming from a solo/small firm practice, specializing in appellate work, and teaching law as well. I strongly urge his nomination.

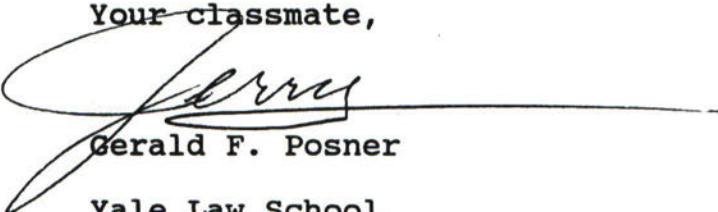
On another subject, the papers are reporting that you are about to announce an initiative to improve race relations in the nation. I applaud you for the effort. Such an effort is long overdue, and while I privately wonder what can really be done to change personal attitudes, the importance of such an effort not only being made but being led by the President cannot be overstated. The real state of race relations, as opposed to the verbal platitudes we hear over and over again, is poor. In the Detroit area, race relations were not great even before former mayor Coleman Young, whose one lasting accomplishment was to polarize the races and pit race against race and the suburbs against the city. Any attorney trying cases knows just how polarized juries still are, with their decisions so often split right down racial lines. Jurors are merely a reflection of society as a whole. Anything that can be done to have people think of others just as people, and to increase tolerance and understanding, will be a great step forward. Efforts must begin with our children, who so often mimic their parents' views, and whose prejudices can be ingrained at so early an age. Leadership on this issue can leave a lasting legacy.

Page 3

Finally, Chelsea fooled everyone by her selection of Stanford. Congratulations on having a bright child make a bright and independent choice. I don't know why it is, but bright kids often wind up surprising their parents with their college choice. I wound up going through the same thing with Zach two years ago when he decided to go to Albion College, and his choice has worked out well for him. I wish her the best.

Hope to see both of you sometime soon.

Your classmate,



Gerald F. Posner

Yale Law School
Class of 1974

verdict doesn't diminish the great sadness that occurred in Oklahoma City two years ago. Our only hope is that the verdict will go some way to preventing such a terrible drastic crime from ever occurring again," he said.

Stephen Jones, the chief defense attorney for McVeigh, was equally somber in his remarks:

"The jury has spoken and their verdict is entitled to respect," he said. "And all Americans should accord it that respect until such time, if ever, it is overturned by a court of competent jurisdiction."

"We ask that the barriers and intolerance which have divided us may crumble, that suspicions disappear and that hatred cease. And that our divisions and intolerance being healed, we may live together in justice and peace."

"God save the United States of America, and God save this honorable court."

Out in front of the downtown courthouse, a crowd of several hundred people, many of them federal workers from the government complex next door, were subdued and respectful as the team of prosecutors marched past.

Unlike June 2, when McVeigh was found guilty in the April 19, 1995, bombing, the crowd did not cheer, applaud or whistle at the prosecutors.

Matsch did not set a date for the formal sentencing of the former Army tank gunner and decorated Persian Gulf War soldier.

But he asked attorneys on both sides to return to the courtroom by July 7 to hear motions for a new trial, a routine step in what is expected to be a lengthy legal appeals process for McVeigh.

While bombing victims and the families of persons killed in the blast were united in their relief at McVeigh's conviction, several of them reacted differently to the sentence of death.

"I feel great," said Charles Tomlin, who lost his son, Ricky Lee Tomlin, 46. "We're putting to death the guy who killed 168 people so he can't enjoy anything that our people can't enjoy either."

"That's what needs to be done with him. He was an animal when he done it. He doesn't deserve to live," Tomlin said.

But Marsha Kight, whose 23-year-old daughter Frankie Ann Merrell was killed, walked out of the courtroom with her belief against the death penalty still intact.

"There's a lot of pain in living," she said. "Death is pretty easy sometimes, I think. With lethal injection, you're gone in 10 minutes."

She added: "I am relieved that it's over and I can go home for awhile. But I don't have any closure on this. It's just not there."

The jury of seven men and five women including a Navy veteran from the Vietnam War, a maintenance man and an elderly woman began deliberating shortly after noon on Thursday.

When they returned to Matsch's courtroom about 3:20 p.m. Friday, the foreman handed their form to the judge, who then slowly read their findings on a nine-page verdict form.

The jurors were required by law to pass judgment on a series of questions regarding aggravating and mitigating factors involving McVeigh and the bombing. On the first list of questions, they were asked for a simple yes or no response.

Their answers were a sweeping consensus against McVeigh:

The defendant intentionally killed the victims. "Yes."

The defendant intentionally inflicted serious bodily injury that resulted in the death of the victims. "Yes."

The defendant intentionally participated in an act, contemplating that the life of a person would be taken ... and the victims died as a result of that act. "Yes."

The defendant intentionally and specifically engaged in an act of violence, knowing that the act created a grave risk of death ... and the victims died as a direct result of the act. "Yes."

The deaths or injuries resulting in death occurred during the ... transportation of explosives. "Yes."

The defendant ... created a grave risk of death. "Yes."

The defendant committed the offense after substantial planning and premeditation to cause the death of one or more persons and to commit an act of terrorism. "Yes."

The defendant committed the offense against one of more federal law enforcement officers. "Yes."

The offense committed by the defendant resulted in the deaths of 168 persons. "Yes."

The defendant caused serious physical and emotional injury, including maiming, disfigurement and permanent disability, to numerous individuals. "Yes."

The defendant caused severe injuries and losses suffered by the victims' families. "Yes."

On the bottom-line question of death, life in prison with no parole or a lesser sentence to be decided by the court, the jury was asked how

the defendant, Timothy James McVeigh, shall be sentenced."

The foreman, in printed capital letters, wrote: "DEATH."

In Washington, President Clinton expressed the nation's gratitude for the jury's service and its "grave decision."

In Denver, his personally appointed U.S. Attorney from Oklahoma City, Pat Ryan, expressed his feelings about some pockets of the public who still believe the federal government has become too intrusive in the lives of ordinary citizens.

Mexico Agrees to Phase Out Two Toxic Pesticides (Washn) By James Gerstenzang (c) 1997, Los Angeles Times

WASHINGTON Mexico agreed Friday virtually to end its use of DDT and chlordane, two highly toxic pesticides that are severely restricted in the United States but enter the country in border-crossing mists, waterways and wildlife.

DDT is banned in the United States, and chlordane may be used only under limited circumstances.

The agreement is a triumph for environmental advocates, who have been crusading for years against the chemicals, which once were used commonly. It also reflects what has become a continuing effort in the United States and Canada to help Mexico whip away at long-festering environmental problems.

The action was announced at a meeting in Pittsburgh of U.S., Mexican and Canadian officials monitoring provisions of the North American Free Trade Agreement.

At one time, as much as 1,500 tons of DDT was used annually in Mexico. Up to 100 tons of the insecticide is still being used each year to kill mosquitoes that carry malaria.

"DDT is bad stuff, and it travels long distances," said William Nitze, the assistant administrator of the U.S. Environmental Protection Agency who was closely involved in the negotiations.

"They're already way down," he said of Mexico's use of DDT.

"We're going to help them finish the job."

Under the new accord, Mexico will aim to phase out 80 percent of its DDT within five years and end all use of it 10 years later, Nitze said. He added: "We're going to try to speed that up."

Also under the plan, chlordane's use will be phased out in five years. The chemical kills fire ants and termites, and is used mainly in Mexico's southern states.

The three nations also pledged to maintain an established program under which states and provinces make public the release into the atmosphere and waterways of toxic chemicals. There has been no structure under which residents of communities in the United States can determine easily what pollutants are being dispersed by factories and utilities located across international borders.

The new program will coordinate and set standards for the release of data by the three countries.

"These action plans are a regional response to growing local and international concern over the detrimental impact of these toxic substances on human health and the environment," officials for the three nations said in a statement. "Implementing these action plans will also contribute to the reduction of long-range transport of air pollutants to the Arctic."

DDT was once used worldwide, but its links to reproductive problems in birds and its classification by the EPA as a probable cancer-causing agent for humans led to the prohibition on its use in the United States in 1972. Canada followed suit in 1985.

Traces of the chemical can travel thousands of miles and can accumulate in fatty tissues all along the food chain. It is found in some of its greatest concentrations in colder climates, where it endures longer before being broken down.

The elimination of DDT in Mexico will be accomplished by the draining of marshes and other bodies of water where mosquitoes breed. In addition, DDT and chlordane considered moderately toxic and a probable human carcinogen will be replaced by other chemicals.

Chlordane has been unavailable for residential use in the United States since 1987. Canada banned it outright in 1995.

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JAMES GERSTENZANG
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porters extremely disgruntled.

Sensing the possibility of a comeback—and perhaps encouraged by old friends in France—Mr Sassou-Nguesso moved back to the capital in January, bringing his militia with him. On May 30th, he declared himself a presidential candidate. A week later, Mr Lissouba sent tanks to his house to arrest him and disband his militia. Not surprisingly, it fought back.

Brazzaville is not the place to be

The stakes are high. The winner's prize will be an oil boom as the country's two new offshore fields come on stream. And, less desirably, the city is rich in guns. Soldiers from ex-President Mobutu Sese Seko's army fled across the river from the other Congo, selling their weapons as they ar-

rived. The battle quickly became regional: Brazzaville is a microcosm of the country; people from the north live in the northern suburbs, westerners in the west. Even if there are any polling stations still standing next month, an election seems improbable.

Good-bye to poverty, maybe, perhaps

"THE poor you always have with you," said Jesus. Not necessarily, argues the UN Development Programme in the 1997 edition of its annual "Human Development Report", published this week. If the will were there, both nationally and internationally, it should be possible to get rid of extreme poverty over the next 20 years or so—or rather to bring the numbers of the very poor down to 3-4% of a country's population. As it is, to have a quarter of mankind deprived of the most basic necessities is an inexcusable disgrace for a world rolling in dosh, scold the authors, correctly.

They are not asking for a fair world, only for one that is less unbalanced than it is now. Although more has been done to tackle poverty in the past 50 years than in the previous 500, there has recently been a slowdown in the battle. To reverse this, the report urges, is an economic, as well as a moral, imperative.

Cynics, says Richard Jolly, the report's principal author, dismiss the poverty-eradication goal as pie in the sky. But the startling success of a number of countries (including several Indian states) that have made reducing poverty a pillar of their economic policy suggests that the cynics may be wrong. Take Malaysia, for instance. In 1971, when the government introduced new economic policies directed at pro-poor growth, 60% of Malaysians

were reckoned to be living below the poverty line; this had dropped to 14% by 1993 and may be halved again by 2000.

Poverty lines are often calculated by a dollar-a-day measurement devised by Robert McNamara when he was president of the World Bank. With help from Amartya Sen, an economist now at Harvard, this year's "Human Development Report" has invented a multi-dimensional measurement, calling it an index of human poverty, as opposed to income poverty. This, it believes, represents a truer picture of those who are so deprived that they no longer have the chance or choice to improve their lives.

With and without a choice

How the "Human poverty index" ranks for developing countries

Top ten	Bottom ten
1 Trinidad and Tobago	69 Burundi
2 Cuba	70 Madagascar
3 Chile	71 Guinea
4 Singapore	72 Mozambique
5 Costa Rica	73 Cambodia
6 Colombia	74 Mali
7 Mexico	75 Ethiopia
8 Jordan	76 Burkino Faso
9 Panama	77 Sierra Leone
10 Uruguay	78 Niger

Source: UNDP

For 78 poor countries, the report measures human poverty in terms of deprivations—deprivations of life (nearly a third of the people in the least-developed countries are not expected to survive to 40), of basic education (particularly of girls), of access to public and private resources, including safe water. Some regions, South Asia and sub-Saharan Africa, still rank high whichever index is used. The Arab world, on the other hand, has human poverty without much income poverty.

The burden of change falls largely on national governments. For poverty reduction to be a priority, governments have to set themselves targets, not all of which they may find desirable. No quarrel, of course, with the virtuous aim of providing basic health and education. But giving people the power to speak or act for themselves? Or acknowledging women to be equal with men? Such objectives, which the report puts at the top of its list, are not every ruler's first choice.

Internationally, the report calls for what Mr Jolly describes as a Marshall Plan for the very poor, spread over 20 years. Not so much through aid—though there is a role for that too, selectively allocated—but through opening and managing the global market so that the weakest are, for a time, supported. Inaction, the report contends, is not an option: chunks of the world are in preventable danger. It is a serious message that governments and institutions, including the World Bank, are beginning to take seriously.

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	1997	2003†	QDR*
ons	10	10	10
ers ve)	11/1	11/1	11/1
arines	73	52	50
ships	128	131	116
er wings	13	13	12
	202	187	187
ps			
y forces	3	3	3
'000			
	1,450	1,420	1,360
	900	890	835
	800	720	640

*Proposals †On current plans

former senator—how hard it will be to get even the QDR's limited proposals past Congress. Senator Strom Thurmond and Representative Floyd D. Spence (R-Mo.) are expected to resist any plan that could easily be seen as pork. Similarly, the fighter program army divisions would face heavy vice chiefs and...

A careful reading of the QDR has given the impression that the plan have been more at least, is set at reforms. And the Congress has set up a panel of independent experts (including Mr Kreps and Mr Kagan), to assess the QDR and provide an alternative view by the end of the year.

Abortion

From mother to child

WASHINGTON, DC

HAS the earth moved in the abortion debate? On May 20th, after two weeks of acrimonious and sanctimonious rhetoric, the Senate voted 64-36 in favour of a bill proposed by Rick Santorum, a Republican from Pennsylvania. The Santorum bill would outlaw a medical procedure which the bill calls "partial-birth abortion" unless a woman's life—not merely her health—is at risk.

The day before, the American Medical Association changed its long tradition of neutrality on abortion legislation, supporting the bill after technical changes were made to narrow the definition of the procedure and to protect doctors from liability. However, the American College of Obstetricians and Gynaecologists, which represents the doctors who are actually involved, opposed the bill, calling it "ill-advised and dangerous".

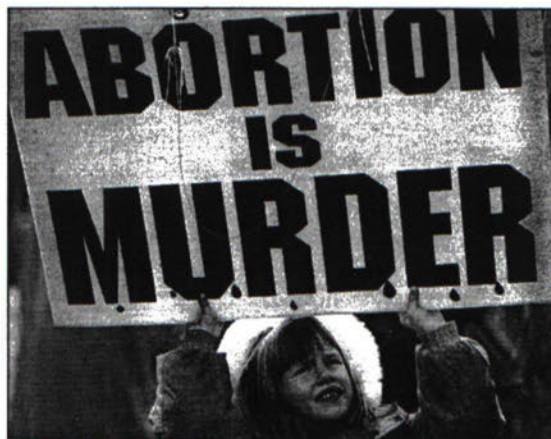
Both sides of the debate were hampered by lack of hard data, and both were disingenuous. The National Coalition of Abortion Providers argued that the procedure in question was very rare; but their executive director later announced that it was performed far more often than he had said, and usually on healthy mothers with healthy fetuses. On the other side, the Santorum bill itself is a disingenuous piece of legislation. In medical parlance, "partial-birth abortion" has

no meaning; the term is an invention of the anti-abortion movement. The rhetoric and images have all been about one method of abortion, known technically as intact dilation and extraction. But the wording of the bill is vague, and would actually apply to other methods of abortion that are used in the second trimester (12-24 weeks), before the fetus is viable, and are therefore protected under law.

Taken as a whole, the 24 years since *Roe v Wade*, when the Supreme Court decided that abortion was a constitutional right, have actually seen an increasing number of restrictions on it. But the change has happened gradually. The most recent moves, the recurring debates over late-term abortions, are an attempt to alter attitudes more radically, by shifting the focus of the argument away from the health of the mother to that of the developing child.

The tension in all thinking about abortion is between the health and well-being of the mother and that of the fetus. As a pregnancy progresses, this balance changes, and current American law already recognises this. Late-term abortions of any kind are relatively rare. In a given year, just 1% of all abortions in America take place after 20 weeks; fewer than 600 are thought to happen after 26 weeks, and at that stage are almost always because of severe fetal abnormalities. As Mr Santorum has admitted, his bill would do nothing to reduce the total number of abortions in America.

Yet that is not his point. By shifting the attention from mother to child, the anti-abortion lobby hopes to increase the discomfort that most Americans to some degree feel about abortion. With the politicians, this approach is succeeding. In each of the previous two votes on this issue in the Senate, the vote has inched upwards. With the public, however, little has changed. Belief in the right to an abortion remains stronger than distaste for it. Efforts to restrict earlier abortions will be more difficult. In any case, RU486, the so-called abortion pill for use early in pregnancy, is likely to be available in America by the end



Should Congress agree?

of the year.

The current debate also ignores the fact that most abortions could be prevented with better contraception. The range of contraceptives available in America is much smaller than in most of Western Europe; education is scanty; access is harder and more expensive. Unsurprisingly, the rate of unintended pregnancies is far lower in Europe. Many insurance companies and managed-care organisations will pay for abortions, but few cover the cost of contraceptives. When will some enterprising politician take up that cause?

Car insurance

Auto-da-fé

NEW YORK

BACK in the 1980s, the life expectancy of a Chevrolet Corvette parked on one of New York's meaner streets was rumoured to be less than 30 minutes. Cars are a little less vulnerable these days. A mere 59,440 were stolen in the city last year, down from a peak of 146,925 in 1990 (see chart). Oddly, the car-insurance premiums paid by New Yorkers have yet to reflect this hefty decline. The State Insurance Department estimates that the annual premium for a 35-year-old male rose by an average of 47% between 1994 and 1996—a period in which vehicle theft fell by 38%. So, in an election-year defence of the man in the driving seat, Mayor Rudolph Giuliani aims to set motorists on the road to a refund.

Fittingly for the man who, as a prosecutor, busted Michael Milken, the mayor is filing suit against seven of America's biggest car-insurance firms, among them State Farm, Aetna, Allstate and GEICO. The lawsuit, which aims to force insurers to cut New York's comprehensive rates by as much as half, is being brought alongside a class-action suit filed on behalf of motorists who hold comprehensive policies (as opposed to basic car insurance, which does not cover theft). Around 80% of the claims made on comprehensive policies in New York are the result of theft—so, reasoned the mayor's task-force on insurance rates, which was formed last September, when theft declines, rates ought to follow suit.

Mr Giuliani claims that the city's lawsuit is the first of its kind, but it is by no means the only attempt by state or local authorities to curb soaring car-insurance rates. Two years ago, in the wake of a successful anti-



Last exit to Brooklyn

car-theft drive in Houston—and subsequent lobbying by the city's mayor—the Texas Department of Insurance cut “benchmark” car-insurance rates by one-third. Such an outcome would be impossible in New York, however, according to a report produced by Mr Giuliani's task-force. It is highly critical of the State Insurance Department's pro-insurer stance on rate regulation.

Several states have also introduced—or are drafting—legislation that would reduce car-insurance rates for drivers agreeing to a “no-fault” policy that restricts their right to sue (and ability to be sued) for the “pain and suffering” caused by a car accident. Insurers claim that the increasing incidence of such lawsuits, which are often frivolous, is the main reason why all types of vehicle premiums have risen in recent years. The Auto Choice Reform Act, a bill introduced last month by a bipartisan group of senators (among them Daniel Patrick Moynihan and Mitch McConnell), would allow nationwide use of no-fault policies—and save drivers up to \$45 billion a year, according to the Joint Economic Committee of Congress.

Unsurprisingly, Mr Giuliani supports such legislation, which is unlikely to become law any time soon. But what are the chances that his own attack on insurance rates will succeed? Testifying before the mayor's task-force, the car insurers maintained that the average cost of each claim had risen sharply during the 1990s—by 69% in the four years to 1995, according to Allstate—and that this had more than off-

set the effect of declining theft. But such an argument is specious: to offset New York's 60% reduction in theft this decade, the average cost of each claim would have to have soared by 150%. Nor did insurers explain why, despite their boast that comprehensive rates have been cut in New York in recent years, the average car-insurance premium is higher than ever.

Using the insurance industry's own definition of what represents “excellent profitability” as a guide, Mr Giuliani's task-force calculates that car insurers in New York city made windfall (ie, excess) profits of well over \$40m in each of the past two years alone—and it is these that the mayor intends to recoup for car owners.

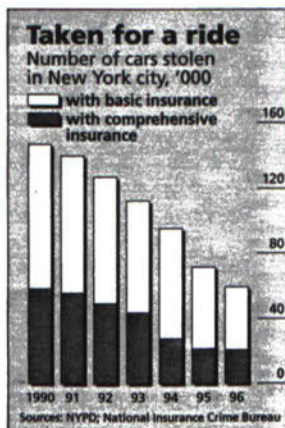
Mr Giuliani may not be fighting solo for long. In Chicago—where car theft has fallen by 30% since 1990—consumer-affairs agencies have already contacted New York officials to seek advice on launching their own attack on insurers; authorities in other cities where car theft has fallen sharply, such as Dallas and San Diego, are watching closely. Insurers, naturally, view New York's lawsuit as no more than an irritant. But that is what tobacco companies used to think about anybody who sued them, too.

California politics

An eerie silence

SAN FRANCISCO

THESE are strange days in California politics: so strange, that people are calling them the “dark time”. Malign astrological influences? No; it is simply that no money is being collected for or against candidates in next year's elections. Indeed, no money is even being sought. In normal



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Reno's Untouchables

Over and over, Janet Reno has said that when it comes to whether or not to ask for an independent counsel to investigate Democratic campaign fund raising, she will rely on the

judgment of the true-blue career lawyers in the Justice Department. Reno didn't budge even when it became known that FBI Director Louis Freeh advised her to opt for an independent counsel, saying she would stick with her gang of untouchables. So just who are these folks?

LAURA INGERSOLL, 45

The no-nonsense head of the special task force of roughly a dozen lawyers is a diplomat's daughter who grew up in Europe and South



America. Some colleagues compare her to the rather prim Diane Chambers. They

also call her tenacious, smart and ethical. Though she has little experience doing major trials, she's handled corruption cases involving CIA employees. Just last year she extracted guilty pleas from four Agriculture Department employees who rounded up contributions from colleagues and subordinates for a pro-Clinton PAC.

LEE RADEK, 54

A founding member of Justice's public-integrity section in the aftermath of Watergate, Radek supervises Ingersoll's team. An



even-tempered, down-to-earth Chicago native, he is known for his street

savvy, lawyerly acumen and good judgment. After suffering a heart attack in the early 1990s, he has slimmed down and forsaken the cheap cigars whose stench once pervaded the office. He is passionate about golf (but has little time to play), and his Elvis impersonations for the public-integrity support staff at Christmas are legendary.

MARK RICHARD, 58

Sometimes called "Bigfoot"—he is 6 ft. 7 in. and no ectomorph—this Brooklynite is the institutional conscience of the criminal division and the



investigation's acting chief. He has spent almost his entire career at Justice and has had a hand in virtually all

the department's major international cases: Noriega, Korea-gate, Jonathan Pollard and the Nazi prosecutions. After a diagnosis several years ago of esophageal cancer that some surgeons deemed inoperable, he asked his doctors to gamble on a rare medical procedure that saved him. Colleagues gave him a glass-encased cigarette to keep the nicotine urges at bay. —By Viveca Novak

Payback Time?

When TIME reported two weeks ago that Hong Kong interests used a U.S. shell corporation to guarantee a \$2.2 million loan to a G.O.P. think tank, ex-party chairman Haley Barbour (the think tank's head) denied knowledge of foreign backing. But a secret memo obtained by TIME shows that a year before Young Bros. Development-USA collateralized the 1994 loan, Barbour was advised of plans to seek overseas funds for the National Policy Forum. Last week the G.O.P. refunded \$122,400 in Young Bros. campaign money, conceding its illegal Hong Kong origins. Democrats, smelling blood after months of battering for their fund-raising excess, are urging the return of the full \$2.2 million. Most of that loan to the Forum was rerouted to the party to repay past debts and free up cash for the final weeks of the G.O.P.'s 1994 electoral coup. Two years later, Young Bros. was forced to pick up \$500,000 of the loan balance after the party-backed Forum reneged on payments.

—By Michael Weisskopf



Having a Wonderful Time...

Image: George Bush, globe-trotting foreign-policy President; Bill Clinton, domestically focused stay-at-home President. The reality, however, is that homeboy Bill has flitted about almost as much as cosmopolitan George. And with his first visit to Latin America last week, Clinton surpassed his predecessor. But in the First Lady frequent-flyer contest, peripatetic Hillary wins by many a mile over Barbara Bush, who was a veritable domestic shut-in. A comparison of the foreign trips each has headed:



The First Couple try on masks in Mexico

PRESIDENT	COUNTRIES VISITED	FAVORITE SPOTS	VISITS	MAIDEN VOYAGE	CONSPICUOUS SKIPS	COMMON STOP
BILL	36	Russia, Italy, France, Israel, Canada	3	Canada	China	Costa Rica
GEORGE	35	France	4	Canada	Israel	Costa Rica
FIRST LADY						
HILLARY	33	South Africa	2	Norway	Russia	Costa Rica*
BARBARA	2	Canada	2	Canada	The world	Costa Rica

*Hillary only made it there with Bill last week

No Quid Pro Quo

In return for all the free spectrum space the government is bequeathing broadcasters (\$70 billion worth, according to some), campaign reformers say broadcasters should provide free political advertising. Their answer: no dice. But it wouldn't kill them: campaign ads make up only a tiny percentage of total advertising revenue.



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Sandy
What's the deal here?

BC

Rowland Evans and

A Nominee at Odds With His President

When President Clinton nominated Harvard-trained scholar Stephen Sestanovich last month as ambassador-at-large to all states of the former Soviet Union, senators who will be asked to confirm him wondered whether the president had adopted a new doctrine that undermines his own policy toward Russia.

That's because Sestanovich has publicly attacked expansion of NATO, Clinton's foreign policy priority. A vice president of the Carnegie Endowment, he wrote in December that "it would be hard to think of a policy that more pointlessly re-enacts Cold War battles without really helping us to deal with post-Cold War problems." Senate ratification of the new NATO, which will be signed at next week's Madrid summit, is at the top of Clinton's foreign policy agenda.

What one senator is now calling the Sestanovich Doctrine transcends NATO expansion. It demands U.S. support for a "Russian sphere of influence" across the former Soviet Union that would subordinate to Moscow such former Soviet states as Georgia, Ukraine and Azerbaijan but would stop short of giving Russia "outright, imperial" control. The example he uses is Fin-

land, which, he says, "was part of the Soviet Union's sphere of influence."

Why would Bill Clinton, so anxious to make his historical mark as a foreign policy president, appoint this academic? That is one of the little mysteries surrounding this very unusual president. Could Clinton be unaware of Sestanovich's prolific writing or, alerted by aides, could he have ignored them?

Both Secretary of State Madeleine Albright and National Security Adviser Sandy Berger are said to be defensive when asked about this strange appointment. Sestanovich's sponsor and enthusiast inside the administration seems to be Deputy Secretary of State Strobe Talbott, Clinton's longtime friend and Russia expert, whose policy has been criticized in Congress as biased toward Moscow at the expense of the newly independent former Soviet states.

American voters of Eastern European origin have mounted a campaign against Senate confirmation of Sestanovich as the new arbiter of U.S. policy toward Russia and its former possessions. While they want Albright to intervene for them, their real hope lies on Capitol Hill. Sen. Gordon Smith, a freshman Republican from Oregon who

will chair July 10 confirmation hearings, told us the nomination "has raised a lively concern."

"[Sestanovich] seems to be saying that we should just cede to Russia those things that they feel are essential to them," Smith said. "When they kill 100,000 Chechens and when their parliament now passes a new law ending religious freedom, that does not sit well in the United States."

The president should have known. The Sestanovich Doctrine has been meticulously spelled out by its author during the past three years in the New York Times, the International Herald Tribune, the National Interest and other journals in which he has ridiculed Henry Kissinger and Zbigniew Brzezinski. In a National Interest article last fall, he accused them of playing "geotherapists" and "psychological engineers" in dealing with Russia and ignoring what Sestanovich sees as the prime problem: that NATO expansion "dramatizes Russia's loss of standing" and shows it to be "isolated."

The beginning of a cure, he says, is American support for a Russian "sphere of interest" that would run from the Polish border to Iran.

But his prediction in an October 1995 New York Times article that "the Russians reject anything that legitimizes NATO expansion" went awry. In fact, Moscow agreed last spring to participate in a new NATO-Russian Council and will send high-level emissaries to the Madrid summit.

Sestanovich's long campaign against NATO enlargement posed exactly the arguments Clinton faces from a formidable array of critics. The president's would-be ambassador may find this an embarrassment when, as Clinton's agent, he tries to persuade the Senate to ratify the new NATO—for which, he wrote in the Houston Chronicle, "there is no present need."

Other charges in Sestanovich's writings, Sen. Smith told us, may also be hard to explain. In the New York Times, he claimed that sending Russian and American peacekeepers to Bosnia "is also turning out to be a loser" and "may sink relations, not salvage them." Clinton points to cooperation on Bosnia as a signal triumph in moving U.S.-Russia relations forward. He should have told his new ambassador.

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The Washington Post
THURSDAY, JULY 3, 1997

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INTRINSIC VALUE/By ROGER LOWENSTEIN

Even With Settlement, Big Tobacco Can't Lose

The economics of tobacco are so unbelievable that the industry was able to grossly overpay to buy itself peace, underwrite real advances for public health and emerge with its killer instinct for profit satisfied. In an imperfect world, the recent settlement is a win for both sides.

Before Big Tobacco folded, its expected liability was far less than the \$368 billion-plus it just agreed to. Juries have been seeing contemporary smokers for what they are—people who bought a legal product and knowingly took health risks upon themselves (even while the industry did its best to dissemble). If left to individual courts, including appellate courts, the industry might never have paid a dime.

"We got more than I can ever get in litigation," Christine Gregoire, Washington's attorney general, told me. And the dollars are huge. The present value of Philip Morris's obligation is estimated at \$50 billion. That's about half what the company is worth.

So is Big Tobacco a loser? Far from it.

The industry that brought you the Marlboro man and the morning cough earns, in the U.S., \$7.7 billion a year pre-tax. To fund annual payments under the settlement, cigarette prices will rise, within a few years by about 80 cents a pack. So smokers are losers (unless they stop smoking). Nobody knows how many will quit, but it won't be enough to offset the rise in prices. Rough guess: prices up 40%, smoking down 15%. That works out to \$1.2 billion a year in lost profits. Throw in interest charges on the big payment that will be due upfront, and manufacturers are out some \$2 billion in yearly profits.

However, with tobacco barred from billboards and sporting events and restricted elsewhere, the industry's \$6 billion marketing budget will plummet—as it did when tobacco was kicked off the airwaves. Suppose it drops 30%,

the estimate of Sanford C. Bernstein & Co.'s Gary Black. Presto, most of its lost profits were just recouped.

What kind of business can raise prices by nearly half, excise a third of its marketing and not miss a beat? Must have a heck of a product (read: an addictive one). Must have low costs, too. Cigarette machines churn out 12,000 butts a minute. You go to a factory and see lots of machines, not many people. But that's not all. Any other business with such fundamentals would attract a ton of competitors. But imagine trying to persuade the board of,

annual tab will rise with inflation; however, it will be reduced in line with sales. All in, the amount PM pays will grow very slowly. However, its \$7 billion cash flow, which is increasingly fueled by selling cigarettes overseas, is growing at double-digit rates. In time, that cash flow will not merely equal, it will greatly surpass and eventually dwarf the settlement dollars.

The settlement won't (as the industry hopes) remove the tar from its image, but it will get something that profits alone can't buy: a higher price-earnings multiple on Wall Street.

Health-minded critics have argued that if tobacco wins, the public must lose. But much as it may hurt to say it, the public interest isn't reducing tobacco profit; it's reducing smoking, particularly among *bambinos*. According to Bill Novelli, president of Campaign for Tobacco-Free Kids, the single best way to cut into smoking is to make it more expensive. The settlement, pending Congress's approval, will do that.

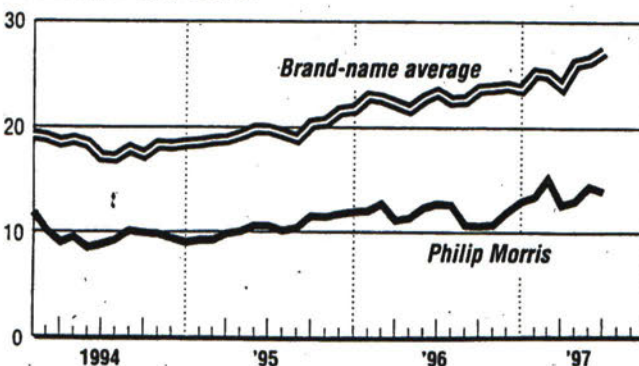
It also requires states to police the stores. I was dubious whether that would do much until I saw the figures: Sixty percent of the under-18 inhalation set *usually* buy their own. By comparison, it's pretty tough for a 14-year-old to order a dry martini. Cigarette vendors, like bartenders, now will be encouraged to fear loss-of-license and jail time.

Expect less from programs to finance would-be quitters (you got to want to for yourself) and to publicize the non-news that smoking kills. But if sports can sell a \$150 rubber shoe, it can sell a pack of smokes. Ending the tie-ins is a good idea.

One more win is that the settlement pushes Congress—the proper venue for resolving long-running national problems—to act. Before it throws tobacco back to 1,000 courts, where results are unlikely, it ought to think about that.

Desperately Seeking a Multiple

Price-earnings multiples of seven brand-name consumer stocks and Philip Morris



Source: Sanford C. Bernstein

say, Johnson & Johnson that it could raise its return by diversifying into tobacco. Fear of liability and social opprobrium act as a protective shield against new entrants.

Normally, when there are limited suppliers for a product perceived as necessary, such as electric power, the government holds down prices. But that would stimulate demand. So tobacco is unregulated in price, addictive and insulated from new competition. In business, it doesn't get any better.

Philip Morris, the biggest company, has free cash flow of close to \$7 billion—about equal to its annual settlement bill from 2002 to eternity. (On an aftertax basis, the bill is smaller.) That

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DNC's Spending in '96 Touched Unlikely Recipients

By GLENN R. SIMPSON

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — For months, reporters, prosecutors, FBI agents and congressional investigators have been studying almost every last penny taken in by the Democratic National Committee.

Little attention has been paid to where all that cash went — even though the DNC, after taking in a record \$123 million in large, soft-money contributions is now technically insolvent. Following where the money was spent is difficult, largely because the federal records on campaign spending are vague in the extreme and can be found only at the bottom of stacks of paper filings.

Yet a careful reading of those records yields some interesting glimpses into the Democrats' spending spree in the 1996 election cycle. Huge amounts of money went to an army of political consultants, of course, but there were also some unlikely recipients of the DNC's largesse.

One of the DNC's biggest vendors, it turns out, is the U.S. government. The records show that the DNC paid the Treasury more than \$1.5 million in 1995-96 for the use of various taxpayer-owned facilities, from Air Force One to the White House. The White House photography office received more than \$40,000 for taking pictures, including some of those Kodak moments of President Clinton with party fat cats that later proved embarrassing to the White House. Pictures also were snapped at the White House coffees and at an array of fund-raising galas. DNC payments for using Air Force One and other presidential craft came to more than \$600,000.

The bulk of these funds paid for the care and feeding of Democratic contributors in the rarefied presidential atmosphere. "It illustrates that we think our supporters are important," DNC's communications direc-

tor, Amy Weiss Tobe, said of the spending.

Contributors received other tokens of gratitude from the party. The DNC spent more than \$500,000 for "gifts," many of which were bought from companies affiliated with a longtime Democratic operative named Mark Weiner, who is known by party insiders as the Democratic "tchotchke king." The DNC's primary gift contractors are Mr. Weiner's Rhode Island company, Financial Innovations Inc., and a competing firm called Adspecs ImageEXPRESS Group of Hyattsville, Md. The firms supply all manner of political paraphernalia and knickknacks such as pens, stickers and other trinkets, which are handed out to supporters.

Holding Concessions

But that \$500,000 is only a hint of what the Democratic gift industry made last year. Mr. Weiner also held near-exclusive concessions with President Clinton's own campaign and the Presidential Inaugural Committee. Earlier this year lawyers for the Inaugural Committee sent letters to other would-be vendors of inaugural goodies, threatening to sue them for seeking to compete against Mr. Weiner. No one answered the phone at Financial Innovations.

Also surprising on the list of DNC vendors were news database providers Lexis/Nexis and Datatimes, which together received at least \$200,000. The firms offer vast databases of periodicals that are useful in politics for checking out the backgrounds of contributors, be they to your own campaign or that of the other team. When controversies erupted last year over DNC donors who turned out to be felons or individuals with other thorny problems, Democratic officials blamed their failure to vet donors on a cost-cutting move — someone had decided in the early

Where the Money Went

Selected Democratic National Committee expenditures for 1995-96, in millions of dollars

Consulting	\$17.5
Printing	\$4.0
Polling	\$2.0
Maintenance	\$0.25
Internet	\$0.1

Source: Federal Election Committee

days of the campaign that it was too expensive to run computer checks on all contributors.

So why the \$200,000 to Datatimes and Lexis/Nexis? It turns out that while DNC officials eliminated expenditures for checking up on their own supporters, they decided they could afford to keep investigating the other side. Ms. Tobe denied earlier reports that the DNC's own donor checks were eliminated to save money. "It wasn't because it was too expensive," she said. "The system broke down."

Consultants' Share

The gimcrack and database markets are small potatoes compared with the lucrative world of political consulting. The DNC spent more than \$17 million on what it classified as "consulting" — a category that reflects only a portion of big bucks consulting-related expenses such as media, mail and polling. Figuring out the consultants' share of the pot with any precision is tough. Much of their income isn't paid directly by the DNC. Rather, some consultants get a cut of the campaign's television buy, while the DNC also farms money out to state and local party organizations, many of which in turn re-

tain the DNC's consultants. Much of the \$200 million-plus the DNC raised in 1995-96 was sent directly to state party organizations and other affiliated groups, many of which don't have to disclose their spending to the Federal Election Commission. That makes it almost impossible to trace how those funds were ultimately spent.

Thus, while the media firm Squier Knapp Ochs is believed to have placed some \$100 million of advertising for the 1996 Democratic campaigns, DNC records indicate the Squier firm received over \$2.5 million in direct payments from the national party. That still makes the Squier firm among the DNC's biggest vendors.

Another of the DNC's biggest vendors is direct mail baron Hal Malchow. Firms run out of Mr. Malchow's Washington office received more than \$17 million. DNC pollster Stanley Greenberg received more than \$1.2 million, while Penn & Schoen, the president's pollsters, took in more than \$1.5 million. A consortium of consultants — called the November 5 Group — including Dick Morris and Penn & Schoen, received more than \$5 million. Dozens of smaller and less well-known firms also did well. The Share Group of Boston, which handles telemarketing, received in excess of \$1 million.

The DNC's primary travel agent is World Wide Travel of Little Rock, Ark., which also handled President Clinton's 1992 and 1996 campaigns. The firm, which was briefly brought in to run the White House Travel Office in 1993 after a controversial mass firing of the Travel Office staff, beat out other firms for the DNC contract in a 1995 competition. The firm, whose bid was described by the DNC as the "most attractive" overall, handled some \$500,000 of DNC business in 1995-96.

—Tatiana S. Boncompagni,
Leslie Shaffer and Chana Schoenberger
contributed to this article.

THE PRESIDENT HAS SEEN
7-7-97

FRED PHILIP HOCHBERG

June 17, 1997

WASH
Fry- per our discussion
Boe

Ms. Hillary Rodham Clinton
The White House
Washington, DC. 20500

Dear Mrs. Clinton:

It was good to see you last evening. It was great to have your support for Senator Boxer's re-election and your appropriate acknowledgment of those of us who are staying in the system and supporting candidates who share a vision for America.

I am also glad that we had the opportunity to briefly chat about my continual and (lengthy) interest in serving on the Clinton Administration. I have been working primarily with Bob Nash and Rahm Emanuel, but I also want to keep you informed as well.

I look forward to seeing you again very soon.

Sincerely,

FPH
Fred P. Hochberg

P.S. I am enclosing a copy of a letter I sent the President today.

copied
Nash
COS

The Heyday Company 101 Fifth Avenue New York, NY. 10003
212.367.7200, telephone 212.367.7201, fax

FRED PHILIP HOCHBERG

June 17, 1997

The Honorable William Jefferson Clinton
The President of the United States
The White House
Washington, DC. 20500-2000

Dear Mr. President:

As you know, we first spoke about my serving in your administration last December. Since that time, with your support and that of Bob Nash and Rahm Emanuel, among others, I have explored a number of opportunities. At the top of the list; in my letter sent to you last December, I indicated that I was very interested in serving as a Commissioner on the Federal Trade Commission. In speaking with Bob Nash today, he informed me that Christine Varney indicated that she may be leaving her post in the near future. I therefore want to reiterate to you, my interest in serving in this position.

This position fits with my seventeen years of private sector leadership in running Lillian Vernon, a consumer products company. I understand the importance of maintaining a competitive business environment, for it is one of the reasons we have such a strong economy. At the same time, American businesses have to be competitive in a world market and consumers need to be treated fairly and equitably, and at the same time be protected. The Commission needs to balance these sometime conflicting goals without excessive regulations.

With this possibility in mind, I have already met with Chairman Pitofsky, and we had a very positive meeting. Furthermore, I have had preliminary discussions of a general nature with some of the members of the Commerce Committee, who have indicated they would be supportive of an appointment that required their confirmation. In addition, I have a long standing relationship with a number of the trade groups that work with the Commission.

For these reasons, I ask for your support when this position becomes available.

I look forward to speaking with you soon.

Sincerely,

Fred P. Hochberg

cc: Bob Nash

The Heyday Company 101 Fifth Avenue New York, NY. 10003
212.367.7200, telephone 212.367.7201, fax

Between
HOPE *and*
HISTORY

MEETING

AMERICA'S

CHALLENGES

FOR THE

21ST CENTURY

President
BILL CLINTON

*Mack
will mail
Out! B*

2 copies

1 - Betty

1 - RM

Original to
McLarty for
Dispatch

MACK McLARTY

CLIP PRESIDENT HAS SLEPT

2-2-97

June 30, 1997

To: Nancy Hernreich

Notation for the President per our earlier visit:

To Angel Gurria, a true diplomat and good friend.

BETWEEN
HOPE AND HISTORY

To Angel Gurria
with appreciation
for your diplomacy
and friendship

Barack
7/2/97

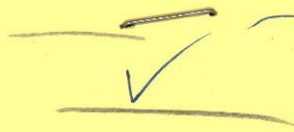
From Stephen
Goodin

7-3-97

OK to send to ORM?

yes

NO



~~\$~~ why
not to
Leg. for
insure? $\frac{7}{1}$

United States Senate

WASHINGTON, DC 20510-1401

June 19, 1997

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

Dear Mr. President:

I want to express my strong interest and support as you host the Group of Eight Summit this weekend and lead an important round of discussions on economic issues and other vital foreign policy concerns.

With the welcome involvement of President Yeltsin in these meetings, I am writing to request that you would take the opportunity, if possible, to raise with him an additional matter of some urgency. Just this week, the Russian Duma has passed a sweeping revision of that nation's laws on religion. It will now be necessary for Mr. Yeltsin to veto this legislation, if it is to be prevented from becoming law.

This proposed law represents a serious step back in the direction of the restrictions of the Soviet period. It will strip legal status from all religious organizations which have been established in the past 15 years, thereby punishing even many long-standing religious communities which refused, on principle, to register with the Soviet government. Accordingly, thousands of churches, schools, and charities may be forced to cease normal operations. Any attempts to regain legal status will require a 15-year waiting period and the approval by "state experts" of an organization's doctrines and practices.

In addition, foreign religious workers will lose significant rights to exercise religious activities, and a large number will be forced to cease their valuable service to the Russian people. These and other troubling provisions appear to violate various international covenants to which Russia is a signatory, as well as Russia's own constitutional protections of religious freedom.

Four years ago, I led an effort by 170 members of Congress to ask President Yeltsin to veto a similar attempt by the Duma to suppress important religious liberties. Your administration also worked effectively to protest this legislation.

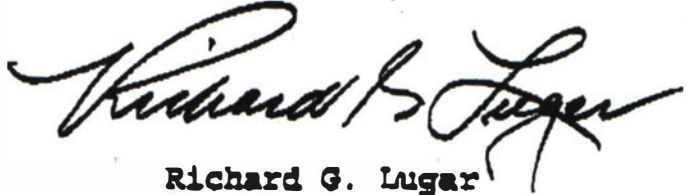
Today, the Russian people are faced with an even more repressive threat to their hard-won freedoms. Please express to President Yeltsin the admiration of many in Congress for his

Phil -
Shouldn't it
go to NSC?
Yes ✓
No

C.

courageous stand four years ago in favor of religious freedom.
Please also ask him, once again, to veto legislation which so
seriously violates this most basic human right.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard G. Lugar". The signature is fluid and cursive, with the first name "Richard" being more prominent and the last name "Lugar" following in a similar style.

Richard G. Lugar
United States Senator

RGL/jhj

June 30, 1997

President Clinton
White House
Washington, DC

THE PRESIDENT HAS SEEN
7-7-97

Dear Mr. President,

This is the book I showed you at the reception following the graduation at Sidwell Friends School and which you said you would like to have. Because no book stores here in Washington have the book, I called Manhattan Institute, told them of your response and asked them to send me a copy so I could give it to you. They did.

Mr. Salins, the author, gave a lecture here in May based on his book, and many copies were available for people who attended the lecture which was sponsored by the Manhattan Institute. As the Head Librarian at Sidwell's Upper School Library, I had attended many lectures and seminars given by the Manhattan Institute. This book is the best history book I have ever read and think the perspective it gives to our immigration and immigrants is very relevant to our history and also to current policies on immigration.

Your lecture at graduation was so excellent and appreciated by all who were there and also by friends who had heard the very brief report on TV. This was the 22nd graduation I had attended--since our oldest child, our son Jeffrey Segall graduated in 1975--and truly your lecture was the best.

I know that Chelsea is going to Stanford. Our younger son, Lewis (who graduated from Sidwell in 1977) went to Stanford Law School for his law degree, and is there now doing research on a dissertation on business ethics for a PhD on American Studies from Yale. He taught a course on business ethics in the Business School of the University of California at Berkeley last semester and is working part time at the Office of Comptroller of the Currency in San Francisco. If there is anything he could do to help Chelsea or you and Mrs. Clinton, he would be glad to. I would be glad to give you his address and telephone numbers.

Your policy on encouraging having computers in schools is very good. I do think that having a number of computers in the school libraries is better than in classrooms. The librarian can instruct students on the programs for various sources of information and also teach them how to evaluate the information.

Some of the information from the Internet has been incorrect, and students need to know what programs to access. It is also important to have the programs which access the full text of a number of periodicals. Students find

① book for book, please
② please Sidwell School
③ ce Reed

Re

7-7-97

Carol.
I informed
Gift Unit that
speech should go
w/letter. *for*

To Norah
for reply

Copied
Reed
COS

Bored
Fry
re

that better than *Reader's Guide* which is always in the library. I sent a questionnaire to the head librarians of the 12 universities most attended by Sidwell Students to find out what they would recommend students be taught to use university libraries. They emphasized programs accessing periodical articles and also computerized library book catalogs.

I was forced to retire from Sidwell on June 10 which made me very sad. I am a member of the DC Public School Library Media Committee and have evaluated the libraries of 10 DC public schools. I will continue to help the DC libraries in any way I can. Libraries are very important for students and also parents.

If you would ever like to play golf at Lakewood Country Club--west of Rockville--please let me know. My husband (a retired Foreign Service Officer) and I play golf there about 4 times a week, depending on the weather. The course has been rebuilt and is quite good, though some of the holes are more difficult than they were last year. There are also a lot of birds on the course--Canadian geese and goslings, ducks and ducklings, herons, gold finches, etc. Also a lot of fish and turtles. All of these add to the pleasure of golfing.

I hope you and Mrs. Clinton liked the article in *The Christian Science Monitor* June 5 on the two of you as excellent parents. I gave it to Mrs. Clinton at the reception.

Most sincerely,

Jo-Ann Segall

Jo-Ann Segall
4333 46th St NW
Washington, DC 20016
(202)362-5104

P.S. Thank you for your book which you signed for me. I am enjoying it very much.

P.P.S. These are the photos I took at graduation. There was a video taken which you might be able to see and maybe get a copy. Ask Mrs. Harrison.

Dr. James P. Comer
Yale Child Study Center
230 South Frontage Road
P. O. Box 20 7900
New Haven, CT 06520-7900

Book to
Gene / Bruce
Pls read this -
It's very good
When it comes out,
Hew. Rod on Dean
should mail too
+ should get copy
to Bill & Mary - it's
very good - Bob

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

Date 7-7-97

To:  Bruce Reed

From: The Staff Secretary

Gene Sperling will forward the
book to you after he has read.

cc: Gene Sperling

THE WHITE HOUSE
WASHINGTON

Date 7-7-97

To:  Gene Sperling

From: The Staff Secretary

Would you please pass the book to
Bruce Reed after you have read.

Thank you.

cc: Bruce Reed

Coelin
Min - most successful / most fun

+ Se pr - Hcar
Ex pr - encan/dure
very pr - com suff

WAITING FOR A MIRACLE

WHY
SCHOOLS CAN'T
SOLVE OUR
PROBLEMS—AND
HOW WE CAN

Copied
Spelling
(original)
Read
COS

JAMES P. COMER, M.D.

UNCORRECTED PROOFS
PUBLICATION DATE: October 1997
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WARNING: IF ANY MATERIAL IS TO BE QUOTED,
IT MUST BE CHECKED AGAINST THE BOUND BOOK.

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THE WHITE HOUSE

WASHINGTON

July 4, 1997

Dear Jim —

I read Waiting For A Miracle. Thanks for sharing it with me. It's wonderful. It crystallized many things I've been trying to sort out, and said much of what I've been trying to say so much better.

Clearly without strengthening families and communities we'll never establish the fabric of support needed for most of our children to succeed — We have put some good pieces in place, from Family Leave, ~~and~~ the Earned Income Tax Credit/Minimum Wage laws, and the Kennedy-Kassebaum health care to community policing, Family Violence/assault weapons ban, after school programs for kids to the long government sponsored community development banks, community reinvestment initiatives. The budget will come down, with the biggest increase in support for children's health and education since 1965 (for higher education, since 1945), 1000 more after school programs, 3000 more charter schools, 4 billion more for child care, a doubling of the community development banks — But far more must be done —



THE WHITE HOUSE

WASHINGTON

- 2 -

I'll do what I can to get you a wise
reading and hope you will be available to
help bring these concerns to bear on our work
for better education and racial reconciliation.

Thanks again.

Sincerely

Bill Clinton

PRESIDENT'S COMMITTEE
ON THE ARTS AND THE HUMANITIES

Capred
Mathews
COS

REFLECTIONS
ON A
MULTICULTURAL SOCIETY



Sylvia

This is good and
should be put
to the Advisory Board
members

Rm:

Original pamphlet
given to Mathews

BZ

THE PRESIDENT HAS SEEN

7-7-97

C. Cleveland

ARTHUR SCHLESINGER, JR.

**REFLECTIONS
ON A
MULTICULTURAL SOCIETY**

by Arthur Schlesinger, Jr.

PRESIDENT'S COMMITTEE
ON THE ARTS AND THE HUMANITIES

1100 Pennsylvania Avenue, N.W.
Suite 526
Washington, D.C. 20506

PRESIDENT'S COMMITTEE
ON THE ARTS AND THE HUMANITIES

1100 Pennsylvania Avenue, N.W.
Suite 526
Washington, D.C. 20506

THE WHITE HOUSE
WASHINGTON

DATE: 7-7-97

NOTE FOR: The Honorable Bruce Babbitt

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

Information ☐

Action ☒

Thank you.

Staff Secretary
(x6-2702)

cc:

THE WHITE HOUSE
WASHINGTON

Date 7/8/97

To: Goody Marshall

From: The Staff Secretary

Goody-

Give me a call about
the attached letters re: Sec'y
Rabbit.

THE WHITE HOUSE

WASHINGTON

Ms. Peggy Maruthur
133 Circle Drive
Hot Springs, Arkansas 71901

Dear Peggy:

Thank you for sharing the letter from
Q. Byrum Hurst. I have referred his
correspondence to Secretary Babbitt at
the Department of the Interior. He will
look into Mr. Hurst's specific request
and respond directly to him.

Thanks again for writing.

Sincerely,

Bin

the Brummers
folks are personal
friends of mine
& I appreciate his
making sure these
get looked into -
esp. the
House

BZ

note not sent to
Babbitt

6-30-97(94)

HURST LAW OFFICES

201 WOODBINE
HOT SPRINGS, ARKANSAS 71901
(501) 623-2565

FAX (501) 623-9391

Q. BYRUM HURST, JR.
Board Certified
Specialist in Criminal Trial Advocacy
National Board of Trial Advocacy

MICHAEL J. KING
T. CLAY JANSKE

197 JUN 19 PM 5:51
April 3, 1997

Mrs. Peggy Maruther
133 Circle Drive
Hot Springs, Arkansas 71901

Dear Peggy:

Naturally I am disappointed with the results of the effort to prevent the destruction of my home at 100 Conway Terrace in Hot Springs. I am certainly not disappointed in your efforts or the efforts of Congressman Jay Dickey in trying to resolve this matter, but it appears to be bogged down in the beaurocratic regulations. ✓

As you know, the entire city is focused on efforts to improve the north end of the city of Hot Springs and specifically the Park Avenue area. It is crucial to that effort to maintain the quality of homes on Circle Drive, Conway Terrace and the adjacent city streets. This is the only way that we can really combat the rise in crime and immoral activity in this part of Hot Springs.

I would propose one more effort to try to obtain the return of this property and would propose that I be allowed to reacquire the property by payment of \$150,000 to the National Park Service or the appropriate governmental entity. As you know, I have spent thousands of dollars in maintaining and improving this property during the past 18 years and major maintenance is needed at the present time but I simply cannot justify continuing these types of expenditures if the property is going to be simply destroyed in the next couple of years.

I would be happy for you and/or Congressman Dickey to tour the premises at any time and I am sure you could readily understand my dilemma in this regard. I believe my offer would generate funds for the government

and certainly there can be no gains by the government or the public from the destruction of this home. ✓

I truly appreciate all of your efforts and the assistance of Congressman Dickey, and frankly I am amazed at your energy. Both of you should be commended and I certainly will always remember this kindness.

Sincerely,



Q. Byrum Hurst, Jr.

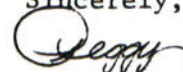
QBH:dt

May 13, 1997

Dear President Clinton,

I am now the City Director for District 1, which includes your "old" neighborhood. My objective is to turn around the neglect and decline of "our" neighborhood. I am working day and night in an effort to secure the positive features which we have and convert the negative into a positive. As you know Bob Hanson and the "Clinton Connection" have worked unselfishly to fix up your old home. I am working with code compliance to help beautify the property across the street and to "rezone" Park Avenue so as to discourage the drugs and prostitution that has bred in our local motels on Park Avenue. Mr. Q. Byrum Hurst helped me secure my office by agreeing to be my campaign manager and I won. During the last election I won again and have, like you, four more years to complete my job. I now need some help to save Q. Byrum's (Jr.) home. He has three more years and its gone. His dad during a low point in his life agreed to sell it to the National Park. Q. Byrum and Rita have raised their family there and of course, you know that is the home in which he was raised. He wants to buy it back. That one home remaining could not possibly hurt any enviromental situation. His dad did not HAVE to sell and if he didn't the home obvisously would not now be doomed. But it was a low point in his life and he did. I am asking that you help Q. Byrum Jr., our neighborhood and therefore the City of Hot Springs by sparing this one home and allowing the government to receive some monies from a "good neighbor" who loves where he lives and brings history and stability back at a time when we SO need it. Thanks for your consideration. Kumar & I are praying for you and your family, they have been so unfair to you.

Sincerely,



Peggy Maruthur (501)624-1965

2 letters
GAP
Maruthur
and
Hot Springs
Be 8/5/82
pr

THE WHITE HOUSE
WASHINGTON

Mr. and Mrs. Kumar Maruthur
Mr. Kenneth Wheatley III
Hot Springs ARTS Center
405 Park Avenue
Hot Springs, Arkansas 71901

Dear Peggy, Kumar, and Kenneth:

Thank you for writing to Dick Kelley about efforts to preserve the bathhouses in Hot Springs National Park and the Hot Springs ARTS Center's interest in relocating to the Park. Dick has shared your letter with me.

Over the years, considerable funding has been dedicated to restoring the bathhouses and other resources in Hot Springs National Park. The National Park Service has informed me that there are ongoing projects to remove lead-based paint and rehabilitate the exteriors and roofs of several of the bathhouses. As you may know, the National Park Service has identified additional restoration projects for the bathhouses as a high priority for funding over the next few years. I believe that the National Park Service's efforts, through its innovative partnerships and cooperative arrangements with private groups such as the Hot Springs' Tourism Development Council, will be effective in preserving these historic sites.

I have forwarded your letter to Secretary Babbitt so that he can look into your specific request and respond to you directly. I appreciate your interest in the Park.

Sincerely,

Bob





Hot Springs ARTS Center

405 Park Avenue
Hot Springs, Arkansas 71901
501-624-0489
501-C-3 "Non Profit Agency"
ID# 23-737-4158



35771771

04-01-97

Mr. Dick Kelley
209 Bayside Rd
Hot Springs, Ar 71913

'97 JUN 19 PM5:51

Dear Dick,

I want to thank you in advance for your consideration in helping us with our need. We have long been supporters of the Art Community in Hot Springs and are life time members of the Hot Springs ARTS Center as are each of the members of the 'FIRST' family. As we celebrate the 50th Anniversary of the ARTS Center this year one of our goals is to secure an adequate permanent location.

For many years Hot Springs and the National Park Service have struggled with a plan for one of America's greatest treasures, Famous Bath House Row. The National Park Service has spent several million dollars securing and stabilizing the existing structures. While the topic of numerous visits and discussions, attempts to lease them to private businesses have proven fruitless and the treasures sit vacant and deteriorating.

We are asking that you inquire of our President if there is some way through the National Park System that one of these buildings could be assigned to the Hot Springs ARTS Center with the necessary final repairs already done to allow us to occupy it without additional expense. Ours is the only art organization among many in Hot Springs which specifically focuses on children and truly operates as a non-profit operation. This year is proving to be one of great accomplishment and anticipation but we earnestly need a permanent facility worthy of our 50 year heritage. Your assistance in this matter will be greatly appreciated.

Sincerely,



Peggy & Kumar Maruthur
Lifetime members



Kenneth Wheatley III
President elect

Copied
Reed
Cohen
COS

page 5 -
Donskind for
reply

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

June 17, 1997

'97 JUN 17 PM3:38

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
MICHAEL COHEN

SUBJECT: Long-Term Strategy for National Standards and Tests

We need to know
on this in public
U. Wright

Last week's TIMSS announcement of 4th grade progress in math and science was front-page news across the country. This memorandum provides an update on our efforts to sign up states and cities for the testing initiative, and outlines a long-term plan to secure broad support.

I. TEST DEVELOPMENT

The test development process is on track to be ready for administration as a pilot in Spring 1998 and nationwide in Spring 1999. A contract has been awarded to the Council of Chief State School Officers (CCSSO) to develop the detailed specifications for the reading and math tests. This involves, for example, determining the balance of multiple choice and open-ended items for each test. CCSSO performed this same role for the development of NAEP, and this step is one signal to the education community that the new tests will in fact parallel NAEP as promised. As it did with NAEP, CCSSO has also established several advisory committees of subject matter specialists, testing experts and the education community to help guide the development of test specifications.

The Request for Proposals for the test development contracts has been let, and the contracts will be awarded before September 30. The Education Department is on schedule to award additional contracts for related research, development and evaluation necessary for the development and validation of the tests.

II. STATE PARTICIPATION

The success of this initiative is largely dependent on the voluntary efforts of states to incorporate the 4th grade reading and 8th grade math tests into their state testing programs. We have focused most of our efforts toward building a critical mass of states, with governors of both parties, to commit to participate in the testing program. We continue to believe that if we can achieve this objective over the next several months, we will pave the way for most remaining states to sign up over the course of the next school year.

Over the last four months, we have waged an intensive retail campaign to solicit every state's participation. Secretary Riley has written to every governor and chief state school officer, and he and Mike Cohen have worked closely with scores of state officials on ways to incorporate our tests into their state's approach to standards, testing and reform. The Vice President and Secretary Riley met with more than 40 chief state school officers in April, and secured their organization's endorsement.

We have made steady but slow progress to date. Half a dozen states are on board; another dozen are within reach of the next few months, as outlined below. But even states with leaders strongly committed to participating in the test are reluctant to commit publicly without first building the necessary support within the state. A number of factors are making officials in many states cautious. These include financial and political investments that states have already made in their own state standards and tests; skepticism from the education community about "yet another test"; concern about stimulating opposition from the far right, especially in states which experienced serious battles over state reform efforts or over Goals 2000; short-term distractions during the legislative sessions; limited understanding among governors about NAEP and the relationship between the new national tests and NAEP; and diffuse governance arrangements and tensions between governors and other state education officials. In each state we have to overcome these hurdles and take advantage of strong public support for national tests in reading and math.

States Signed Up: As you know, 6 states -- Maryland, Michigan, North Carolina, West Virginia, Massachusetts, and Kentucky -- have pledged to participate in the test, with support in each case coming from the governor, the chief state school officer and the state board of education. In addition, the Department of Defense schools have also pledged to participate in the testing initiative.

In a seventh state, California, State Superintendent Delaine Eastin has pledged her support, though Gov. Wilson and the State Board of Education (Wilson appointees) have withheld theirs. They have not opposed participation in the test, but instead have chosen to oppose Delaine's independent action. These 7 states represent approximately 24% of the nation's 4th and 8th graders.

Next Target States: A number of additional states are within reach in the near future, based on our discussions with governors and chief state school officers. Over the next several weeks we will work to nail down as many of these states as possible. If possible, we would like to hold a multi-state sign-up event with a handful of states at the White House in mid-July.

Our most promising current targets are 14 states with another 20% of the 4th and 8th grade population:

✓ **Colorado** Gov. Romer has indicated his intention for Colorado to participate. We are working with him to determine how soon he will be prepared to announce publicly.

✓
Nevada Gov. Miller has indicated that he wants Nevada to participate. We are also working with him to determine the timing of the announcement.

✓
Vermont Gov. Dean wants Vermont to participate; he is working to secure the support throughout the state for Vermont's participation. One critical step in this process is a mid-July meeting of a state task force on student achievement. No official decision will be made until after this meeting.

✓
Missouri Gov. Carnahan and his chief state school officer are prepared for Missouri to participate in the 4th grade reading test. They have just completed the development of an 8th grade state math test (at a cost of \$6 million) and do not believe they can move forward with a separate national math test as well. We are working with Carnahan to determine the timing of an announcement.

✓
Delaware Gov. Carper is heavily leaning toward participating in the national testing initiative; he is planning on working to secure the support of his state board of education and legislature. We will work with Carper to determine how soon he will be prepared to make a public commitment.

✓
Utah Gov. Leavitt has expressed tentative interest in having Utah participate, pending consultation with his chief state school officer. We are following up directly and working with Romer to secure Leavitt's support.

✓
Wyoming Gov. Berringer participated in a conference call with Secretary Riley, Mike Cohen, and a number of governors identified above. He expressed considerable interest, and we are now following up with him.

✓
Oregon Gov. Kitzhaber and State Superintendent Norma Paulus are both interested in Oregon's participation, with the most active leadership coming from Norma. Norma has indicated they would be willing to make a public announcement after the legislature adjourns in late June.

✓
New Jersey Preliminary discussions with the New Jersey Commissioner of Education (a gubernatorial appointee) indicated clear interest from him and Gov. Whitman. The New Jersey Supreme Court recently ruled that the state's approach to complying with a court order to provide more equitable funding is unconstitutional, so the attention of state education officials is now heavily focused on school finance issues. But we are trying to determine if an announcement from New Jersey will be feasible in the near future.

✓
New York Commissioner Rick Mills is working to secure New York State's participation in your testing initiative. He has discussed this privately and publicly with the Board of Regents, has solicited input from education and business leaders in the state, and has discussed it with

Gov. Pataki. There is no specific timetable for the Regents to take this issue up, but Rick is pushing to have the Regents consider this as soon as possible.

✓ **Wisconsin** Gov. Thompson has moved from initial opposition (he wrote an op-ed piece in the New York Times in February) to tentative interest, in part due to several conversations with Secretary Riley which resolved some misunderstandings he had. We believe Thompson is interested in having Wisconsin participate in the tests, although a running conflict with his chief state school officer may make it difficult for Thompson to provide the necessary in-state leadership. We are reaching out to the chief state school officer in an attempt to resolve this problem.

✓ **New Hampshire** Gov. Shaheen is inclined to support participation in the test, as is Commissioner of Education Betty Twomey. They are both currently preoccupied with enacting Shaheen's kindergarten initiative. Once the legislative session is over, we will approach Gov. Shaheen again.

✓ **Maine** Both the Commissioner of Education and Gov. King have expressed preliminary interest in participating in the test. We are working with them to address concerns they have raised regarding how best to integrate the tests into their own standards and tests, and to explain participation in national standards and tests to the public after so much effort has gone into developing the state's own standards.

✓ **Tennessee** The Commissioner of Education (a gubernatorial appointee) is very interested in participating in the testing initiative, and had secured Gov. Sundquist's agreement to participate. Unfortunately, within the past several days, as we were working toward an announcement with the Vice President prior to next week's Family Conference, Sundquist has begun to backpeddle, apparently under pressure from the far right. Sundquist has told the Commissioner that he still intends to participate, but at some later, unspecified time.

Next Steps: Secretary Riley and Mike Cohen have met with Govs. Bob Miller, Romer, Hunt, Thompson and Leavitt and discussed the possibility of a bipartisan effort between now and the NGA meeting, to reach out to and gain the support of as many governors as possible. The Democratic governors are prepared to help; we are trying to determine over the next several days which of the Republican governors will also help. We will then proceed to work with the governors to secure the commitment of as many states as possible to participate in the testing initiative.

• **Democratic States:** We are making a special effort to reach out to the seven Democratic governor not already listed above (Knowles, Chiles, Zell Miller, O'Bannon, Nelson, and Locke) We have made preliminary contact with these states, and encountered difficulties with a few. In Georgia, responsibility for deciding state testing policy lies with the chief state school officer, an elected Republican who is openly hostile to every form of federal

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involvement in education. Gov. O'Bannon has indicated that the timing is not right in Indiana for him to pursue participation in national tests. And Gov. Locke's office has sent Secretary Riley a letter indicating that Washington will not participate in the testing initiative, because they believe it will disrupt their own efforts. We have asked Gov. Locke to reconsider that position, and to indicate so in writing.

Republican States: We believe that a bipartisan approach led by Romer, Leavitt, and perhaps Engler will be the most effective way to reach a number of big-state Republican governors, including Govs. Ridge, Edgar, Carlson, and Rowland. It may be the only way we have of reaching out to Gov. Bush.

Unlikely States: Finally, a number of states are not likely to sign up unless there is a change of leadership or political climate. These include Alabama, Arkansas, Idaho, Iowa, Mississippi, Oklahoma, South Carolina, and Virginia. These 8 states represent about 10% of the nation's school children.

We have also been exploring the possibility of securing an NGA endorsement for the testing initiative. However, this may prove impossible, due to the opposition of Gov. Voinovich, the incoming chair. Despite the close overlap between his agenda for education reform and yours, in recent years Voinovich has generally opposed federal involvement in education (it took nearly a year to persuade him to support Ohio's participation in Goals 2000). In addition, there are two civil rights issues pending between the Department of Education and Ohio. While Secretary Riley and the Education Department are trying to resolve these issues in a cooperative fashion, they complicate our ability to reach out directly to the governor. We have also asked for the assistance of the Ohio Business Roundtable and CEO's such as John Pepper and Joe Gorman. However, we do not anticipate that this will produce quick results.

III. LOCAL PARTICIPATION

We are also trying to sign up a number of urban school districts, where the need for reform is greatest. Cities that sign up will also be asked to share with us and with their communities the steps they will take to help prepare students for these tests (in most cases, this will create opportunities for cities to highlight, enlist new support for, and integrate efforts already underway). This will underscore that your testing initiative is about preparing students to meet higher standards, not simply testing.

We have identified a pool of approximately 20 large urban school districts in which we believe there will be strong interest in participating by the local superintendent, and by the mayors that are involved heavily in the local schools. The Council of Great City Schools has made preliminary contact with each of the superintendents; at least half a dozen expressed strong interest (Boston, Broward County FL, Cincinnati, Long Beach, Los Angeles, Philadelphia, and San Francisco), and we will follow up with all 20 superintendents over the next few weeks. We anticipate being ready to announce the cities that will participate by mid-July.

JIM DORSKIND:

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Please coordinate
the reply.

Coordinate w/
Mike Cohen

We are working to assemble a package of assistance we can provide to cities that commit to participate in the testing program. For example, the Education Department and the National Science Foundation are identifying technical assistance resources, models of effective practices, and discretionary funds that can be directed toward assisting the cities. Enterprise Zones may have funds that can be directed to assist participating schools. The Office of Bilingual Education is planning an outreach effort to involve the Hispanic community in support of reading and math, and this effort will be targeted to participating cities. America Reads can help mobilize reading tutors, and NSF will help identify local partners from the mathematics and scientific communities.

IV. CONGRESSIONAL INVOLVEMENT

As you know, Rep. Goodling has backed away from his earlier support for the testing initiative and has now signaled his opposition, including an attempt to add a rider to the supplemental appropriations bill that would have prohibited the Education Department from spending FY 1997 funds on test development. If Goodling continues his opposition, we are likely to face a battle over continued funding for test development as part of the FY 1998 appropriations bill. If we can regain Mr. Goodling's support, we think it will be possible to assemble a bipartisan coalition that will ensure continued funding and the legislative authority we will need in the future.

At your request, Secretary Riley and Mike Cohen met with Goodling last week, to explore his concerns. While no specific progress or commitments were made, Goodling's opposition softened over the course of the discussion. We will keep working on him.

Beyond Goodling and selected others on the Education and Economic Opportunities Committee, your national test initiative has received little attention from most members of Congress. Consequently, it is difficult to gauge the level of support we will receive if there is an appropriations battle.

We have launched a concerted effort to firm up Democratic support. First, the Education Department has begun to provide members with information on the testing initiative on a targeted basis, starting with members from participating states. Second, we are identifying members who will actively promote the test, especially in the House. Reps. George Miller, Dale Kildee and Tim Roemer are especially strong supporters, and virtually every Democrat on the House Education and Economic Opportunities Committee starting with Clay can be counted on to support the testing initiative. In addition, Rep. Etheridge is preparing to introduce a sense of the House resolution in support of this initiative, and will work to secure broad support for it. On the Republican side, Reps. Frank Riggs and Mike Castle have been quite supportive. However, we suspect neither will want to split from Goodling on this issue if he remains firmly opposed.

V. CONSTITUENCY GROUP SUPPORT

✓ We are working with the business groups that have endorsed your testing initiative (Business Roundtable, National Alliance of Business, Chamber of Commerce, as well as high-tech CEO's) to encourage governors to participate in the testing initiative, especially in the states we have targeted as most promising.

✓ We are working with the AFT, which also supports the testing initiative, to encourage local union affiliates to support local district participation in the testing initiative. And we are working with the Council of Chief State School Officers to identify states that may be prepared to announce participation in the testing initiative.

✓ We are working with other education groups to secure endorsements for the testing initiative. The American Association of School Administrators and the National School Boards Association are likely sources of support. The national organizations representing elementary and secondary principals are also potential sources of support, though they historically have not supported the idea of national tests. We will be meeting shortly with Bob Chase to discuss how best to enlist NEA's support; as you know, NEA has also not traditionally been a strong supporter of national or state testing initiatives.

Several constituency groups have expressed serious concerns about the testing initiative, especially civil rights groups. In general, their concerns focus on issues of: (1) test bias and test fairness; (2) concern that the tests will be used for high stakes purposes; and (3) the difficulties Hispanic and other students with limited English proficiency will face on the 4th grade reading test if it is given only in English. Both White House and Education Department staff have met frequently with representatives of the civil rights groups, these discussions have not yet resulted in greater support for this initiative.

✓ The national PTA organization has long been opposed to national tests. However, we believe strongly that parents ought to be among the strongest supporters of these tests. We have met with the incoming PTA president to discuss ways of building support for the testing initiative, and will be working with that organization and its leadership to generate parental enthusiasm for these tests.

VI. BUILDING SUPPORT AND SUSTAINING MOMENTUM

The idea of national standards and tests is quite popular -- with the public, parents, business leaders and, increasingly, with educators. But translating broad public support into specific state and local actions to participate in the tests is a challenge, since state and local officials have every incentive to continue existing testing programs rather than add a new one which will demonstrate low achievement levels in most education systems. Therefore, in addition to the strategies described above to "retail" the tests state-by-state, city-by-city, and group-by-group, we need ways to focus broad public attention on the push for tests, and spur parents to apply public pressure at the state and local level.

So far, the national press has shown little interest in the standards movement. It doesn't cost a lot of money, it doesn't involve a protracted legislative battle in Washington, it has bipartisan support, and it does not have an imminent deadline or an obvious villain.

To maintain a high public profile on this issue, we will have to generate a sense of urgency and drama on our own -- and we should look for every chance we can to bypass the national press and appeal directly to parents, as you have done in your state legislative speeches and the West Virginia town meeting. We are looking at a variety of ways to raise the profile of this issue:

Creating a fight over the tests: At present there is no defining conflict over the tests in a way that would capture the interest of the press and the public, and raise the issue above the narrow confines of the policy community. This could change whether we want it to or not, especially if Goodling aggressively pursues his effort to use the appropriations process as a vehicle for stopping the development of the test. If so, we would have a clear battle over the test, and one in which you could fight for basic skills, hard work and accountability.

We could also take the initiative to create a more visible fight over this initiative in the Congress in order to create a vehicle for mobilizing support for the tests. For example, we could transmit legislation requesting specific authority to develop and implement the tests, or to provide financial incentives for states to participate in the tests. Such a battle has some advantages -- it would attract press attention and could solidify Democratic support. But it has clear downsides as well. It may create uncertainty about whether we will be able to follow through on our commitment to develop the tests. In addition, a partisan, polarizing battle will make a number of Republican states harder to sign up.

Pushing the policy envelope on standards: We can also attract public attention and debate on standards and testing by promoting new initiatives tied directly or indirectly to the tests. We have been considering several possibilities:

Promoting "no social-promotion" policies through steps such as developing guidelines for school districts. Chicago attracted enormous attention last week for requiring a quarter of its 8th graders to attend summer school before receiving their middle school diploma.

More vigorously promoting state and local intervention in failing schools, through steps such as providing guidelines for state and local interventions or issuing new and tougher regulations for the interventions already required under Title I; and providing new incentives for state and local efforts to close down failing schools by enabling them to use charter schools and community schools funds together, in order to reopen failed schools as charter schools that also stay open longer so that students can get tutoring and other forms of extra help.

- We haven't announced this yet - when can we?*
- ▶ **Providing new financial aid for college to 6th graders in high poverty schools tied to meeting performance requirements.** As an alternative or complement to the proposal under consideration to provide a Pell Grant guarantee for elementary school graduates in high poverty schools, we could propose "education trust funds" for the same students, and provide \$500 - \$1,000 deposits tied to specific accomplishments, including graduating from elementary school, graduating from middle school, doing well on the national 8th grade math test, and graduating from high school. We could design this approach to fit with proposals for KidSave accounts currently under consideration. This approach would send a very powerful message to students -- and to the country -- that academic achievement counts and will be rewarded. We could also provide bonuses to school and/or teachers with high pass rates for Title I students.
 - ▶ **Proposing the development of a national high school level test,** once the 4th and 8th grade testing initiative is on more solid footing. This could be done by creating individual level versions of NAEP in key subject areas, by asking an independent group such as the College Board to develop new high-school level assessments, or by creating a mechanism to recognize existing national or state tests.

A steady pace of events on standards and tests: We are planning a number of events over the next few months to highlight your testing initiative for the public. We are also working with the Education Department on a major Back-to-Basics, Back-to-School initiative, which will provide several opportunities starting in August and continuing through the early Fall for you to highlight the testing initiative and your entire Call to Action.

Specific plans for June and July include:

- ▶ **The Vice President's Family Conference** The conference this year will focus on families and learning. During the conference, the Vice President will announce a fund being established by John Doerr (who organized the high tech CEO's who endorsed your testing initiative) to support reforms in schools participating in the testing initiative. This will also be an opportunity to announce Tennessee's participation in the tests.
- ▶ **America Reads Event in Boston Linked to Testing Initiative.** You will be in Boston on June 30. None of the nearby states are ready to sign up for tests. We are working to develop an event to highlight your America Reads initiative at an appropriate Read Boston site. Because Massachusetts has already signed up for the test, we can use this to emphasize that your reading initiative will prepare students to meet national reading standards. This event could also focus on Work Study tutors, since new work-study funds will be available July 1.
- ▶ **Launch of Education Excellence Partnership / Major League Baseball Public Service Announcements on Standards** The Education Excellence Partnership (the Business Roundtable, the National Alliance of Business, the American Federation of Teachers, the

National Governors' Association and the U.S. Department of Education) have joined with Major League Baseball to produce a series of PSA's that use baseball players to reinforce the value of raising academic standards. The fulfillment materials for the campaign encourage parents to find out if their school will be participating in the national testing program. The PSA's will be launched in early- to mid-July at an event at Camden Yards prior to an Orioles game. This is tentatively scheduled for July 2.

- ▶ **Multi-State Sign-Up Event** We anticipate holding an event in mid-July at the White House, to announce a handful of states pledging to participate in the testing initiative. (Alternatively, this could be our news for the NGA meeting).
- ▶ **Multi-City Sign-Up Event** We anticipate holding an event in mid July at the White House, to announce a handful of cities pledging to participate in the testing initiative.
- ▶ **Announcement of Interagency Math Strategy.** Prior to your speech to the Michigan legislature, you directed the Department of Education and the National Science Foundation to work with the DPC and OSTP to develop an interagency strategy to help states and local communities prepare students for the 8th grade math test. In line with last week's 4th grade TIMSS findings, the strategy will have a particular focus on improving middle school math. The strategy will address issues such as improving the knowledge and skills of teachers, expanding access to high quality instructional materials, maximizing the benefits of technology, and motivating students to take math seriously. The strategy will include recommendations for involving the math and science community in these efforts. Announcement of this strategy could be combined with the state or city sign-up events.
- ▶ **NGA Meeting** You will be speaking to the NGA Annual Meeting on July 28. This will be an important opportunity to make case for the testing initiative directly to governors.
- ▶ **NCSL Meeting** NCSL's Annual Meeting will be held in early August. This would be an opportunity to continue the crusade you brought to three state legislatures in the spring to legislators from every state. While few state legislatures are in a position to initiate state involvement in your testing initiative, most are in a position to block it if they choose. Making the case for the testing initiative could be an important step toward clearing the path for state participation.

Should we push it?

America Goes Back to School 1997: The Department of Education is planning the third annual America Goes Back to School effort, designed to encourage parents, community leaders, employers, employees, and other community members to become more actively involved in improving education in their communities. The effort spans August through October; last year, more than 2,000 local events occurred during this time period.

This year's effort is led by a broad-based steering committee chaired by Secretary Riley and co-chaired by Tipper Gore, former Governor Tom Kean, Michael Keaton, and Lois-Jean White,

President of the National PTA. The campaign this year will be focused on your Call to Action. We are working with the Education Department and the Steering Committee to organize a series of local sign-up events, in which local schools and communities sign-up to respond to your call to action, including the testing initiative.

The Steering Committee met last week to develop more specific plans and activities. We will develop a more specific set of events appropriate for your participation. In addition, we expect that we will be asking for the entire Cabinet and others throughout the Administration to participate in high-profile Back-to-School events with a back-to-basics theme.

At present, we are considering the following as possible Back-to-School events for your involvement:

August 10
yes
Nationally Televised Town Meeting on Education You have been invited to participate in a town hall meeting on education sponsored by PBS, which would be the culmination of a week-long series of shows devoted to education. The series will include one or two shows devoted specifically to standards. The town meeting would pose questions to you sent in by viewers in response to the first four shows. We can also organize one or more town meetings patterned after the one you recently did in Clarksburg, West Virginia. You might also consider going back on the state legislative circuit.

yes
minutes
Fifty-State Business Leaders Event We are working to organize a day in the fall when, in each state, high-tech and other independent CEO's who are supporting your education efforts join with CEO's involved with long-standing business/education partnerships through organizations such as BRT, NAB, and the Chamber of Commerce, to support a common agenda of higher academic standards, employer efforts to review academic performance in hiring decisions, and a call for state participation in the national tests.

* * *

Together, these steps should keep us on track to our interim goal of signing up 20 or more states this year, with another 20 to follow in 1998. At some point, we may need your help in making direct retail appeals to individual governors. But the most important challenge is to keep finding ways to sell the public on the value of national tests and the urgency of raising standards.

THE PRESIDENT HAS SEEN
7-7-97

THE WHITE HOUSE
WASHINGTON

July 4, 1997

MR. PRESIDENT:

Bruce Reed and Elena Kagan have proposed, based on a recommendation from Attorney General Reno and Secretary Babbitt, that you issue a Memorandum next week directing Reno/Babbitt to appoint a commission to work with tribal leaders to analyze the law enforcement problems in Indian Country. The Commission will report by October 31.

On many reservations, public safety is less secure than in the most crime-plagued inner cities. Some violent crimes go wholly uninvestigated because of a shortage of law enforcement officers. The Bureau of Indian Affairs at Interior wields most of the law enforcement authority, but one consideration is to transfer this authority to the better-funded DOJ -- the commission would study this option, among others.

A copy of the DPC memo and proposed directive is attached. This has not been fully vetted and approved yet, but we expect that it will early next week. Rather than bothering you on the road, we wanted to let you know about it now and will have it executed on your behalf next week. If anything changes, we will let you know.

Per

Phil Caplan

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
7-7-97

July 3, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM:

BRUCE REED
ELENA KAGAN 

SUBJECT:

DIRECTIVE ON LAW ENFORCEMENT IN INDIAN COUNTRY

The attached Executive Memorandum directs the Attorney General and Secretary of the Interior to analyze the law enforcement problem in Indian Country and submit options to you by October 31, 1997 for improving public safety in those areas. The Attorney General and Secretary proposed the Memorandum; they hope to submit it to the House Appropriations Committee next week in support of a request to reprogram funds to pay for this project.

Indian Country is currently facing a massive law enforcement problem. While violent crime has dropped nationwide, it has increased steeply on Indian lands -- with homicide rates rising a full 80% since 1992. On many American Indian reservations, public safety is less secure than in the most crime-plagued inner cities. Some violent crimes in Indian Country go wholly uninvestigated because of a shortage of law enforcement officers.

The federal government generally has jurisdiction over major crimes committed on Indian lands; it therefore can take direct action to remedy this escalating crime problem. The Bureau of Indian Affairs (BIA) at Interior currently wields most of the law enforcement authority of the federal government, but its budget for these activities has declined by 5.1 percent since 1992. This decline stands in stark contrast to the increased funding that other federal law enforcement agencies have gained during the same period. One possible solution to the Indian Country law enforcement problem, now being considered jointly by the two departments, is to transfer some or all of Interior's law enforcement authority to the better funded Justice Department.

On receiving your directive, the Attorney General and Secretary of the Interior will appoint a 15-member committee to develop recommendations on how best to address criminal justice problems in Indian Country. Consistent with the Presidential Memorandum you signed in September 1994 on government-to-government relations with tribes, tribal leaders will participate as full members of this committee.

The DPC recommends that you approve this memorandum. We will then work closely with the Departments of Justice and Interior as they develop recommendations on how to improve law enforcement in Indian Country.

MEMORANDUM FOR THE ATTORNEY GENERAL AND SECRETARY OF THE
INTERIOR

Subject: Law Enforcement in Indian Country

I am proud of this Administration's progress in reducing violent crime and improving public safety for our Nation's citizens. Our efforts are making an important difference. Nationwide, the violent crime rate has dropped approximately 17 percent since 1992, and the homicide rate has declined about 22 percent.

Unfortunately, during the same time period life has become more violent for the 1.2 million Indian citizens who live on or near reservations. Homicide rates, for example, have increased to levels that often surpass those in large American cities. Numbers alone, however, cannot convey the tragic impact of such violence on Indian families and their communities.

This and other information you have provided to me make clear that we need to refocus on this growing problem. While some tribal governments have developed strong law enforcement programs, many others have encountered significant difficulty in doing so. Many Indian citizens receive police, investigative, and detention services that lag far behind even this country's poorest jurisdictions.

The Federal government has taken steps to address this problem. The Administration has sought increased Department of Interior funding and tribal control of law enforcement programs on Indian lands. This year, the Federal Bureau of Investigation (FBI) established an Office of Indian Country Investigations in its Violent Crimes Section, allocating additional agents to Indian Country. The FBI also initiated a nationwide outreach training program for Indian Country law enforcement officers. We have created additional tribal liaison positions in the United States Attorney's Offices in Indian Country, intended to improve our ability to bring offenders to justice. Through our Community Oriented Policing Services Program, we have assisted tribal law enforcement agencies in hiring officers in Indian Country.

Yet, law enforcement in Indian Country remains a serious problem. For these reasons, consistent with the spirit of my 1994 memorandum on government-to-government relations and tribal self-governance, I hereby request the Attorney General and Secretary of the Interior to work with tribal leaders to analyze law enforcement problems on Indian lands. By October 31, 1997, the Departments of Justice and Interior should provide options for improving public safety and criminal justice in Indian Country. To the extent that these options might affect the Departments' budgets, they should be included in your 1999 budget submissions and should be consistent with the funding targets of the Bipartisan Balanced Budget Agreement.

Gen S / Dan Taullo

This idea should
be vetted - Has
some appeal

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THE PRESIDENT HAS SEEN
7-7-97

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Paul H. Nitze

THE PRESIDENT HAS SEEN
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A Cold-War Solution for a Warming World

A string of new studies indicates that we are witnessing the early signs of something potentially catastrophic: The earth's temperature is rising. Glaciers are melting, extremely heavy rainstorms have increased by 20 percent in North America this century, and spring has been arriving a week earlier in the Northern Hemisphere. The cause appears to be the emissions from the fossil fuels we burn to heat our homes, run our cars, power our industries and cultivate our farms.

The earth's climate has remained stable for the past 10,000 years, but global warming threatens the stability that fostered the development of modern civilization. Rapid warming could render whole forests more vulnerable to the ravages of disease, pests and fires, destroying watersheds. Rising sea levels, flooding, drinking-water shortages and the northward spread of tropical diseases could displace millions of people. The economic and human costs may devastate continents, creating a crisis larger, and possibly more enduring, than any in recorded history.

The question is no longer "Is our climate changing?" but "What can we do about it?" The cause and consequences of climate changes are global and require global response. The stakes are high, not only for those directly in harm's way of the physical

effects of warming, but also for those who have staked their economic well-being on fossil fuels. To stabilize the world's climate will require reducing greenhouse gases by half during the next century, and countries need to begin to cut emissions soon if adaptations are to be made without disruption. But the challenge—and required changes—are of such scope and magnitude that courageous multilateral steps, beyond what has been accomplished even in our landmark arms-control agreements, are necessary.

Such bold steps also are essential if we are to address the looming threat to geopolitical stability posed by climate change. Just as arms-control treaties sought to limit and reduce the nuclear arsenals of the superpowers, creating an environment of cooperation that encouraged the peaceful transition of Eastern Europe and the Soviet Union, world leaders must create similar, durable, international structures for limiting and reducing greenhouse pollutants while providing for an orderly transition to the use of the energy sources of the future.

Our best prospect for such an agreement is an international greenhouse-gas-emissions budget system. Nations would adopt internationally binding caps or budgets on pollution. Those which reduce emissions could earn emissions savings to bank for future use—or to

sell to others to meet their budget requirements. Over the long run, the innovative, technology-rich U.S. economy could benefit, with U.S. industry competing on an equal footing to offer pollution controls in world markets.

What would it take to create such a structure? To begin with, the United States must lead the way. If we promote the concept internationally, others will follow. Four key elements would make an agreement successful.

First, any agreement must encourage maximum participation, permitting all nations to earn or use tradable emissions credits at some level, whether by using energy more efficiently, switching to less environmentally damaging fuels, or planting and preserving forests that absorb pollution.

Second, to encourage developing countries to participate as soon as possible, industrialized countries—especially the United States—should speedily set an example by adopting these budgets. Industrialized countries also should find ways to make it easy for others to join in. One interim method would be for industrialized countries to provide incentives (such as credits) for their own companies to work with the industries in developing countries to reduce emissions.

Third, the agreement will need tools to enforce compliance. International—

and domestic—support for a budget system will fade if it permits some countries to evade responsibility or imposes unacceptable disciplines on our own. A treaty should include a range of realistic options for deterring emissions profligacy. Violations could be identified by international inspectors along the lines of the U.N.'s International Atomic Energy Agency. Similarly, in response, economic measures such as sanctions or embargoes might be emplaced through the U.N. Security Council.

Finally, President Clinton should demonstrate his personal commitment to this effort. Just as he took the lead in furthering the Chemical Weapons Convention, so should he lead the battle against this new threat to global security. He should not be swayed by arguments that global agreements would spawn an intrusive international bureaucracy. Comparable criticisms were leveled at the arms treaties and dispelled—and the danger from not taking action is just as severe. Those agreements demonstrated that global problems could be solved through international agreement. Their lessons can help us limit and reduce the growing threat from climate change before we find ourselves facing catastrophe.

The writer, a former diplomat, is on the board of the Environmental Defense Fund.