THE PRESIDENT HAS SEEN
7-29-97

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Echaveste
COS

THE WHITE HOUSE
WASHINGTON

'97 JUL 21 PM2:44

July 19, 1997

To: The President

From: Maria Echaveste

Subject: Supermarket

Thought you would be interested in the attached article on a new supermarket in Brooklyn owned by William Rodriguez, President of the National Supermarket Association (he visited with you last week). The article indicates that Rodriguez has invested almost one million dollars (with other investors) in a store in a particularly hard pressed part of Brooklyn. The impact on the local economy of a reduction in benefits, including food stamps, is unknown and greatly feared.

attachment

Chron.

Merchants With Stubborn Hopes

Changes in Welfare Don't Dash the Optimism of Store Owners in One Poor Neighborhood

Merchants Gambling On Cuts in Welfare

By opening a supermarket in the Southside section of Williamsburg, William Rodriguez has made a $1 million bet that welfare reform will ultimately benefit the Brooklyn neighborhood. His new venture comes as many shopkeepers are already feeling the welfare cuts in a neighborhood where as much as 80 percent of a store's business can be conducted with food stamps.

Proponents of the welfare reforms, however, are convinced that Mr. Rodriguez, the store and the neighborhood's commercial life will prosper. As people move off welfare and into private jobs, they say, their incomes will improve and so will the fragile economy of Southside.

But skeptics abound, both in Brooklyn and across the country, where other poor neighborhoods face the same uncertain future — and where the early evidence is not encouraging.

Article, page 11.

By JOE SEXTON

William Rodriguez and his financial backers understood the risks when they decided to reopen a supermarket on Havemeyer Street in the Southside section of Williamsburg. Welfare, which for years had accounted for the bulk of the supermarket's revenues, was being overhauled. The number of people on public assistance was shrinking, and benefits, including food stamps, were being denied to tens of thousands of legal immigrants, hundreds of whom live in the Brooklyn neighborhood. A supermarket association was reporting that business was off by 10 percent in the city as a result of the changes.

Mr. Rodriguez, who had come to Southside from the Dominican Republic at age 9 and whose first job was in his father's bodega on Grand Avenue, listened to people call him irresponsible for even thinking about taking a chance in such circumstances.

But Mr. Rodriguez, with bank loans and credit from wholesalers, made the deal this spring. And in so doing, he made a large private bet on the future of welfare reform — a $1 million gamble that his C-Town Supermarket could make it, that even in a welfare-dependent neighborhood facing significant change there was still plenty of money to be made.

"People have said that I am crazy, that more changes are coming, that the location depends too much on public assistance," said Mr. Rodriguez, who owns three other supermarkets in the city. "Maybe the people will find work, and the neighborhood will improve. Maybe, though, I live in another world."

For Mr. Rodriguez and other local business people, who have never been on welfare and are not targets of the effort to end welfare dependency, the overhaul of the country's system of public assistance is an intensely personal matter. As much as 80 percent of his Southside supermarket's business has been in food stamps, so profound changes in his clientele's incomes could produce serious changes in his own.

For the moment, Mr. Rodriguez, 36, is convinced that he can make money. He opened the Southside store after its previous owner closed it and filed for bankruptcy when a loan bid failed. And he bluntly says that his concerns are more about profit margins than the social safety net. "People will have to eat," he said.

The stakes are high for Mr. Rodriguez, as well as for Santa Valdez, a 22-year-old cashier, Willie Palino, a 37-year-old stocker, and 18 other store employees. And the fortunes of other stores along Havemeyer Street, many of which benefit from the shopping traffic the supermarket generates, will be shaped, as well, by its fate.

Proponents of the revision of welfare are convinced that Mr. Rodriguez, the store and the neighborhood will prosper. As people move off welfare and into private jobs, they say, their incomes will improve and so will the fragile economy of Southside.

But skeptics abound, both here and across the country, where other poor neighborhoods face the same uncertain future — and where the early evidence is not encouraging.

Mr. Rodriguez, whose other supermarkets are in working-class neighborhoods in the Bronx, Queens and Manhattan, is president of the National Supermarkets Association, a trade group for independent supermarket owners. He said members of the association throughout the city have reported a 10 percent reduction in total sales over the last year, a falloff they attribute to fewer food stamps. Such shifts can have major ramifications for stores operating at the margins of profitability. More than three-quarters of the $300,000 in business Mr. Rodriguez did in his first month came from food stamps.

Clearly, Southside's economic staples — welfare dollars and food stamps — are diminishing. More than 10 percent of the people in the neighborhood on welfare (those on welfare automatically qualify for food stamps) have been moved into private jobs or merely removed from the rolls over the last three years. And Southside's supply of food stamps will decrease further. Next month, 100,000 legal immigrants in the city who currently receive the coupons will be cut off as a result of last summer's vast Federal revision of welfare.

The reductions occur in an already bleak commercial landscape. The five blocks of Havemeyer Street that make up the heart of the commercial strip have 59 storefront operations. Seven are variety stores, six of them beauty or nail salons. A dozen are boarded up. Merchants, from Victor Franqui at the travel agency off South Second Street to Sonia Lowenbraun at Lowen's Variety on South First Street, say business is the worst it has been in a half-dozen years.

"So much of this debate has focused on clients," said Jennifer Wolch, a professor at the University of Southern California who produced the report on Glendale, "but not on the places in which these policies play out."

They have already played out starkly at the Latin Corner, a bodega on South Second Street owned by Angel Feliciano. Mr. Feliciano did $3,200 in food stamp business in June, about two-thirds of the store's receipts for the month. Mr. Feliciano said that in a good month two years ago, he took in $5,500 in food stamps. And competition is stiff: in addition to Mr. Rodriguez's supermarket three blocks away, there are 52 other bodegas in the surrounding 25-square-block vicinity.

And, as in the supermarket's case, more is at stake than Mr. Feliciano's own income, which he says is roughly $24,000 a year. The Latin Corner extends credit to customers, as many bodegas do. Credit is a vital component in the minimalist machinery of a welfare-dependent neighborhood's economy, and if the bodega closes, there will be less available credit, less in the way of survival tools. The Latin Corner also provides occasional odd jobs to the older men who play cards every day in the back.

"I don't know how most of these people live now," Mr. Feliciano said. "Without me, without credit, it won't be easier. Maybe I can hold on for another five years, go back to Puerto Rico. But business hasn't been this bad in years. I used to be able to do $1,500 worth of food stamps in a day if it was near the first of the month. No more."

There is consensus, among experts in the grocery industry and academics who study the economic impact of changes in welfare, that bodegas will be squeezed harder and earlier than supermarkets by the shifts in public assistance. Mr. Feliciano does not doubt it.

Mr. Feliciano, now 35, can still make $100 in food stamps in an hour of making sandwiches. One recent morning, Alex Rodriguez, 9, came to buy three sandwiches, turning over a handful of coupons. Juan Cortes, a recipient of Federal disability welfare benefits, spends his food stamps in the bodega because Mr. Feliciano will cash his Government check.

Lorraine Morgan, working after 15 years on welfare, still receives food stamps because her income is so modest. And she still spends them at the Latin Corner because Mr. Feliciano extended her credit when she needed it.

"Look, the taxpayers have been paying for the crooked side of welfare for years, and so if they go after those people who are cheating, that's great," Mr. Feliciano said. "Food stamps are my business. People say there will be more money in the streets with jobs. We'll see."

It is impossible to project how much income will be lost or gained in a neighborhood under welfare reform. But officials with Community Food Resources, a nonprofit advocacy organization that has done extensive research on both welfare reform and the supermarket industry, did a computer analysis of Southside's welfare and food stamp caseloads. The organization estimated that in 2002, when recipients begin to approach the new Federal five-year limit on cash benefits, total welfare and food stamp payments could be $17.3 million less a year than if the welfare system had not been changed. That figure would represent about one-tenth of the neighborhood's aggregate income. Southside, with a population of nearly 30,000, has an aggregate income of $160 million.

Economists and social scientists say any number of things could happen as the welfare system changes. Some people now on welfare might move into what is known as the informal, or underground economy.

And so Mr. Rodriguez, the supermarket owner, frets and plans. He said he would have to take in $100,000 a week to have a chance of survival. Aware that the neighborhood is undergoing increasing gentrification by young white artists from Manhattan, he has stocked Boar's Head meats and Ben and Jerry's ice cream. And because he often does two-thirds of his month's business in the first days of the month because of the timing of Government benefits payments, he staggers his workforce, often laying off cashiers at the end of the month.

"I worry," he said. "And I look for another way of doing business."

The New York Times
SATURDAY, JULY 19, 1997

VIETNAM
VETERANS OF
AMERICA
FOUNDATION

Sandy

He hit me
again about
land
mines

ROBERT O. MULLER
PRESIDENT

Bo

2001 S Street NW • Washington DC 20009
Phone: 202-483-9222 Fax: 202-483-9312
web: http://www.vvaf.org • e-mail: bobby@vi.org

7-29-97

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Sherman Hemsley

FACSIMILE COVER SHEET

DATE: 7/28/97

7-29-97

Send to NSC? for reply

Yes ✓

no

TO: BETTY CURRIE

FAX #: 202-456-6703

COMPANY:

C

FROM: SHERMAN

SUBJECT: PRESIDENT OF THE GAMBIA

TOTAL NUMBER OF PAGES 6 (INCLUDING COVER SHEET)

IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CONTACT THE SENDER AS SOON AS POSSIBLE AT (818) 907-5471

COMMENTS: Dear Betty,
It was really nice seeing you with the President the other day. Enclosed is a letter to President Clinton from the President of The Gambia. He has tried normal channels and has been unsuccessful. He would also like to speak to you by phone if possible.

Sincerely
Sherman Hemsley

15043 Valley Heart Drive • Sherman Oaks, California 91403 • (818) 907-5471 Fax (818) 907-8070

I'm at. (305) 532-3410

OFFICE OF THE PRESIDENT
STATE HOUSE
BANJUL

REPUBLIC OF THE GAMBIA

26th June 1997

Your Excellency

I have the honour and immense pleasure on behalf of the people of the Republic of The Gambia to write to you and at the same time pay highest respects to you and the people of the United States of America.

Please allow me, Your Excellency, to bring to your kind attention an unfortunate situation that can be misconstrued within the context of the excellent bonds of friendship and fraternal cooperation between our two countries.

Last Summer, I appointed a valued citizen of The Gambia, Poutanga Dit Babani Sissoko, to serve on a special diplomatic mission to the United States. Mr Sissoko is an extremely well-respected businessman and humanitarian who has helped a number of West African countries with their economic development and has helped on a variety of diplomatic issues. Recently, while under house arrest in Miami, Mr Sissoko was able to have 7,000 refugees air lifted from a war

His Excellency
Mr William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue, NW
WASHINGTON D C 20500
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torn area of Zaire. He has similarly made available his aircraft to lift extremely distressed Sierra Leone refugees from Conakry, Guinea to safe haven in The Gambia. His efforts to bring assistance to countless numbers of people who need food, housing, and clothing have greatly benefitted The Gambia and all of West Africa.

Mr Sissoko began his service on the special mission on July 3 1996, the date on which the United States apparently acknowledged his appointment to this diplomatic post and issued an appropriate diplomatic visa. During the month of August, 1996, Mr Sissoko made arrangements to purchase two helicopters in the United States in furtherance of one of the purposes of his special mission relating to the development of a new airline in The Gambia. Regrettably, as a result of cultural misunderstandings and Mr Sissoko's unfamiliarity with customs law in the United States, Mr Sissoko was indicted on criminal charges relating to the purchase of the helicopters. At that time, Mr Sissoko was in Switzerland for a few days while in transit from The Gambia to the United States.

Pursuant to a request from the United States, the Swiss authorities detained Mr Sissoko so that he could be extradited to the United States. Mr Sissoko waived extradition and travelled to the United States voluntarily to personally address the charges against him.

In February, 1997, after The Gambia became aware that Mr Sissoko's diplomatic status and his resulting immunity from prosecution had not been recognized, The Gambia sent a diplomatic note to the U S State Department requesting the dismissal of the criminal proceeding in recognition of his diplomatic immunity. The State Department responded by stating that Mr Sissoko was not accredited as a diplomat to the United States. Our understanding of the accreditation process to which the State Department referred, however, is that it does not provide a procedure for accrediting members of special missions. The Gambia had sent Mr Sissoko on this special mission with the understanding that the United States' acknowledgement of Mr Sissoko's status in July, 1996, was sufficient to confer upon him all appropriate immunities.

Your Excellency may kindly wish to note that Mr Sissoko's business activities and continuing humanitarian efforts are important to The Gambia's development plans as it undergoes its current post transition programmes to further consolidate the democratic process and uplift the Gambian people from poverty.

In our drive to eradicate poverty in The Gambia and bring about accelerated growth and development within a sound, transparent and democratic framework, we equally look forward to further

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consolidating our bonds of cooperation particularly within the context of the new United States development initiatives for Africa which can bring about increased trade and investment between our two countries.

Mr President, I took this initiative to bring this matter to your kind attention in my strong belief that a resolution will contribute immensely to further cementing the bonds of friendship, fraternal cooperation and understanding existing between our two countries and peoples.

I have no doubt and strongly believe that Your Excellency will kindly intervene in this matter and facilitate the immediate release of Mr Sissoko so that he can continue with his business undertakings and humanitarian endeavours. His release will be immensely welcomed by the humble citizens and peoples of The Gambia and of West Africa as a whole.

Whilst looking forward to your kind intervention, please accept, Your Excellency, the assurances of my highest consideration and fraternal esteem.

Colonel Yahya A J J Jammeh
President of the Republic of The Gambia

TEL.: (202) 785-1399
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FAX: (202) 785-1430

EMBASSY OF THE GAMBIA
1155 15TH STREET, N.W., SUITE 1000
WASHINGTON, D.C. 20005-2076

GEW/356A/425/(MKJ-tj)

The Embassy of The Republic of The Gambia presents its compliments to the United States Department of State and has the honour to transmit here with a letter from the President of the Republic of The Gambia, H. E. (Rtd) Col. Yahya A. J. J. Jammeh, addressed to Mr. William Jefferson Clinton, President of the United States of America.

In view of the extreme importance of the contents of the letter to the Gambia government and in the spirit of the good relations which so happily exists between our two nations, the Embassy will be grateful for the expeditions transmission of the letter to the highest addressee.

The Embassy of The Republic of The Gambia avails itself of this opportunity to renew to the United States Department of State the assurances of its highest consideration.

WASHINGTON, DC
JUNE 26, 1997

EMBASSY OF THE GAMBIA
WASHINGTON, D.C.

United States
Department of State
Office of Protocol
Washington, DC

Dorothy P. Moore
P.O. Box 306
Arkansas City, Arkansas 71630
July 21, 1997

'97 JUL 29 AM9:16

PRESIDENT BILL CLINTON
THE WHITE HOUSE
WASHINGTON, D. C. 20500-2000

Dear Mr. President:

"Water is the Essence of our existence
Without it there can be no life
Man, Animal or Plant"

Due to the change in farming methods which require more and more irrigation, an alarm has been sounded in this part of our State that in the next quarter of a century a shortage of surface water and ground water could occur; and the use of ground water could become hazardous due to the salt content build-up.

To this end the Boeuf-Tensas Water Conservation Project has been organized to seek a solution to this problem. A fact sheet is enclosed. A group from Southeast Arkansas is meeting today with Assistant Secretary of the Army, Michael Davis, to bring this project to his attention. My request of you, Mr. President, is that you ask your Secretary of the Army to direct a study of this plan and seek a solution before the disaster occurs.

Thank you, Mr. President.

We are very pleased with the economic stability of our country brought about under your leadership.

My sincere best wishes.

Your friend,

Dorothy P. Moore

Dorothy P. Moore

Enc

7/29/97

Send to Dorskind?

Yes ✓

No

FACT SHEET

Boeuf-Tensas Water Conservation Project

Location and Size:

The Boeuf-Tensas Water Conservation Project is located within six counties in the southeast corner of the state. All of Chicot and Desha Counties and portions of Ashley, Drew, Jefferson, and Lincoln Counties are located within the study area. The total size of the study area is 1.2 million acres of which about 84% (one million acres) is cropland. About 68% of this cropland is irrigated. Major crops include rice, soybeans, cotton and milo. About 3% of the cropland is devoted to commercial fish production.

Water Problems:

Present irrigation creates water demands ranging from 800 to 950 million gallons per day with about 5% of this water coming from surface water and 95% from ground water.

Surface water is pumped from streams, rivers, and other waterways during the cropping season. However, surface water is deficient during dry seasons when irrigation water is needed most. On-farm irrigation water storage reservoirs have been built in some areas to store surface water, but such reservoirs are limited in number due to high costs for construction. Therefore, the major surface water problem is lack of water quantity during critical irrigation periods.

The major source of ground water is the alluvial aquifer which underlies much of southeast Arkansas at a depth of 100 feet or less. Within the study area, two problems occur. Removal of ground water at rates exceeding recharge is common in much of the area. High salt content in the aquifer underlying portions of Chicot and Ashley Counties has resulted in wells being abandoned, crops being killed, and farmers converting from crops to catfish farming. The long-term impact of such overdraft is depletion of the aquifer.

The following four isolated areas with frequent flooding in the Basin have been identified: urban areas of McGehee, Dumas, and Gould, and an agricultural area along Bayou Bartholomew. Such flooding problems indicate a flood study component need.

Explanation of Project:

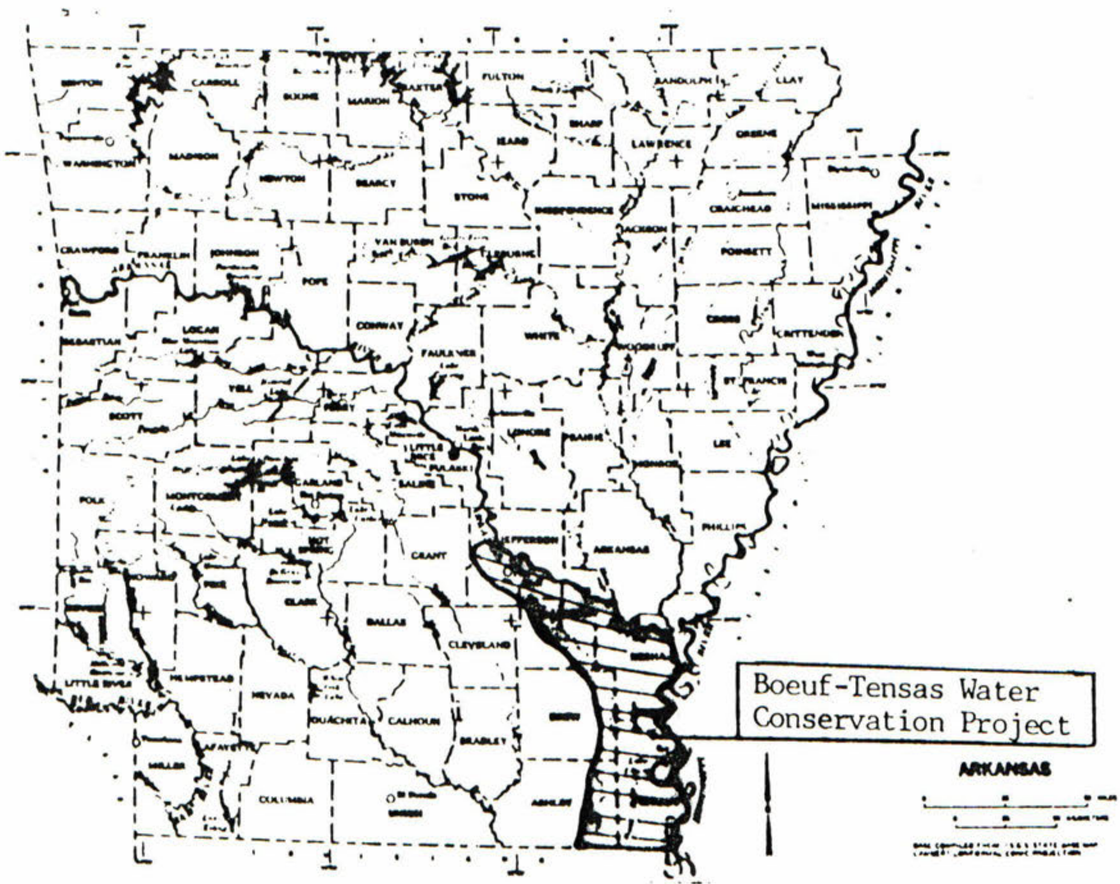
The proposed project consists of an accelerated on-farm technical and financial assistance program to conserve water, thereby reducing water use. In addition, the feasibility of large water storage reservoirs, on-farm storage reservoirs, and diversion of surface water from the Arkansas River will be investigated. The overall objective is to reduce water use and to provide additional surface water in lieu of ground water for irrigation purposes.

Benefits and Costs:

A reconnaissance level U.S. Army Corps of Engineers' study developed a preliminary alternative plan that was recommended for more detailed analysis in a feasibility study. This plan had a total cost of $380,335,000, annual costs of $45,745,000, and annual benefits of $61,853,000. The benefit-cost ratio was 1.4 to 1. Costs of continuing the study and completing the feasibility study stage was estimated to be about $7.5 million in 1991.

Economic benefits include those from more efficient use of irrigation water, long-term benefits of increased yields from irrigated crops, and reductions in energy required to pump irrigation water. Such energy reduction benefits are based on less energy being required to pump surface water than ground water because the latter source must be pumped out of the ground 50 to 100 feet before being transported to crop fields.

Benefits to the environment include protection of the alluvial aquifer, better water quality, maintenance of stream flow, increased open-water wetland habitat, and increased potential to seasonally flood bottomland hardwoods and crop fields for migrating water fowl.



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EPSTEIN LAND COMPANY
EPSTEIN GIN COMPANY
P.O. BOX 748
LAKE VILLAGE, ARKANSAS 71653
TELEPHONE (501) 265-2332
(501) 265-5382

SAM E. ANGEL
PRESIDENT

June 30, 1997

Michael L. Davis
Deputy Assistant Secretary of the Army
108 Army Pentagon, Room 2E570
Washington, DC 20310-0108
Attention: Barbara

Dear Barbara,

This letter will confirm our meeting with Mike on July 21, 1997, at 10:00 a.m., in his office at the Pentagon. Listed below are the names of the people attending the meeting. Five from the Boeuf Tensas Project and myself.

1. Sam E. Angel, Senior Member, Mississippi River Commission, U. S. Army Corp of Engineers
2. Jack A. Gibson III, Director, AR Livestock & Poultry Commission.
3. H. R. "Bo" Maxwell, Chairman, Boeuf-Tensas Project
4. Ann Cash, Secretary, Boeuf-Tensas Project.
5. J. Randy Young, Director, AR Soil & Water Conversation Commission.
6. Miles Goggans, Consultant, Little Rock, AR
7. – Brian Cassel - Cong. Dickey's office –

If you have any questions, please feel free to call me anytime.

Sincerely,

Sam E. Angel

Sam E. Angel

GEORGETOWN UNIVERSITY

JESUIT COMMUNITY

7/21/97

President William J. Clinton:

Dear Bill:

Please read the enclosed letter from my friend, Tom QUINN and do what you consider best for peace.

Richard T. McSorley, S.J.

Washington, DC 20057-1735

THE PROBLEM

Temporary storage facilities for spent nuclear fuel rods in populated areas in the Russian Federation. These facilities are breaking down, endangering the life and health of the people in the immediate area. The catastrophe is not if, but when.

THE SOLUTION

7/29/97

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Yes ✓

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7206 IVAKOTA ROAD • CLIFTON, VA • 20124
PHONE: (703) 266-0590 • FAX: (703) 266-0705

THOMAS QUINN

July 21, 1997

President William Jefferson Clinton
1600 Pennsylvania Avenue
Washington D.C. 20500

Dear Mr. President,

In the following letter I will be very brief and to the point. The situation with the food distribution system, matters of nuclear power, the infrastructure and the overall morale of the people in the Russian Federation is serious to say the least. This letter deals with only one problem but there is a solution that is cost-effective and can be implemented now. The down side of inaction will be catastrophic and could very well destroy any progress toward democracy and a free market economy which all agree are so very important for global stability.

THE PROBLEM

Temporary storage facilities for spent nuclear fuel rods in populated areas in the Russian Federation. These facilities are breaking down, endangering the life and health of the people in the immediate area. The catastrophe is not if, but when.

THE SOLUTION

The solution must be cost-effective and in full accordance with all US (NRC) and international (IAEA) standards and regulations. To be cost-effective, there must be no uncertainties with respect to health and safety, safeguards and environmental issues.

I have become aware that, some years ago, a concept was presented to the People's Republic of China to utilize spent fuel transport and storage casks already licensed and employed in the US to store spent fuel in the Gobi Desert, PRC, as might be necessary. A storage facility concept already accepted and in use in the US could be utilized. The concept was presented by Mr. Paul Schutt, a well known nuclear expert with extensive experience in the US, Russia, Europe and Asia.

I mentioned this plan to the Chinese nuclear energy people on a trip to Beijing in March of 1997. The scientists in Beijing gave me encouragement that the time and

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political climate might be right for cooperation between the PRC and the Russian Federation. This of course, would depend on US technical and financial assistance. The concept is to transport by rail to a location in the Gobi Desert the spent fuel rods, which are now creating the threat to life and health in Russia.

When this plan was first devised, necessary rail lines were not in place, they are now. There were other infrastructure and political problems that have since been eliminated.

In conversations with my associates in China, I have been made aware that the Chinese are ready to display their human rights concerns to their neighbors to the West. Also, the Chinese would like to display for the world their ability for peaceful application of nuclear technology in helping to solve this most pressing problem.

Vice President Gore is in a unique position owing to his warm relationship with Mr. Chernomyrdin. This relationship, in combination with the responsiveness of the Chinese, provides an unusual opportunity for solving this most pressing problem now.

I am writing this letter, because this problem can only be solved if addressed at the highest level. Mr. President, if you feel that I should continue, I can convey to the authorities in Beijing, on an unofficial basis and without publicity, the possibility of going forward with this concept. It could be ready for discussion before the October meeting between you and the President of the People's Republic of China. At a minimum, the dialogue on this matter can open doors and gain insights of value to all parties.

I have asked Father McSorley to present this letter to you, knowing your relationship with him would put this solution in its most honorable light.

Respectfully,

T S Quinn

Thomas Quinn

THE PRESIDENT HAS SEEN
7-29-97

Sandy
What do you think?
Let's discuss, then
you or I should call him
BC

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THE PRESIDENT HAS SEEN
7-29-97

COUDERT BROTHERS

ATTORNEYS AT LAW

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ASSOCIATED OFFICE
RIOS FERRER Y RIVERA, S.C.

July 20, 1997

President William Clinton
The White House
Washington, D. C.

Dear Mr. President:

You have been kind in the past to take note of comments I have sent regarding additional steps the United States might take to help the Russian Federation move forward. With your indulgence, I would like to suggest an additional, somewhat unorthodox step.

Russia's greatest natural trading partner should be Japan. Yet the two have yet to sign a peace treaty ending World War II due to their continuing dispute over the Kiril Islands (or the Northern Territories as they are known to Japan) occupied by the Russian military since the close of the war.

You might quietly offer to help mediate this dispute either through a personal envoy or perhaps more formally by establishing an ad hoc arbitration panel such as George Mitchell chairs in Northern Ireland. Breaking the current political log-jam between Russia and Japan would be a great favor to both nations and would benefit Russia enormously. This is a peace-making service which perhaps only the United States can provide.

If this idea appeals to you, I would be happy to discuss it with Secretary Albright and Sandy Berger. At the risk of seeming self-serving, I would like to help in this effort if I can.

With great respect and all best regards.

Sincerely,

Gary Hart

Gary Hart

THE PRESIDENT HAS SEEN
7-29-97

'97 JUL 21 PM5:51

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

THE DIRECTOR

July 21, 1997

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Good

MEMORANDUM FOR THE PRESIDENT

FROM: Franklin D. Raines

SUBJECT: FY 1998 Budget Guidance

Each year at this time, OMB sends to the executive branch agencies planning guidance for use in the development of their budget proposals. Guidance for FY 1999 is now being written, within the constraints of the Bipartisan Budget Agreement. In order to protect your ability to propose new initiatives in FY 1999, this year I would like to change our procedures.

In past years, we divided up the total allowable discretionary spending and presented it to the agencies as planning guidance. Their response was to treat the guidance, not as a ceiling, but as a base from which to ask for additional funds. This cycle has gone on for many years, but in a post-Budget Agreement world it simply will not work: It would result in a lengthy appeals process, with agencies arguing for funds we will not have, and would leave little or no room for further initiatives by you for the remainder of the 1999 Budget.

For these reasons, we would like this year to change our guidance. Specifically, we would allocate discretionary spending in accordance with the Budget Agreement and your historical priorities, but set aside \$5 billion, to be reserved specifically for new Presidential initiatives. Implicitly, this means reducing guidance levels below what Departments anticipate based on a freeze and partial inflation over the FY 1998 Budget Agreement levels. This will leave you with the option to decide on initiatives during the budget process. Some candidates have already been suggested (e.g., early childhood adoption) and the agencies would undoubtedly offer more. In some cases, restoring funding levels for programs reduced by the guidance would constitute an initiative.

I believe this approach will provide you with better and more focused budget decision-making in the post-Budget Agreement world. It will preserve resources for whatever initiatives you might choose, and will encourage agencies to develop creative proposals. Nonetheless, I would expect a substantial and vocal reaction from some agencies. They will feel that OMB is "taking their money" and using it for OMB – not Presidential – initiatives. Therefore, I thought it best to raise this change with you in advance of distributing the guidance.

Approve ✓

Discuss ______

THE PRESIDENT HAS SEEN
7-29-97

EXECUTIVE OFFICE OF THE PRESIDENT '97 JUL 28 PM 8:28
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

copied:
Yellen
COS

July 28, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: JANET L. YELLEN Janet L. Yellen

SUBJECT: Employment Cost Indexes for June 1997, Labor Department Release, Tuesday, 8:30 a.m.

Hourly compensation in the private sector increased at a 3.4 percent annual rate in the March-to-June period--in line with market expectations. Wages (up at a 3.8 percent rate) increased slightly faster than benefits (up at a 2.9 percent rate).

Since last October's increase in the minimum wage, the industries and occupations with the lowest wage levels have shown the largest acceleration. Nevertheless, the overall rate of wage increase in the past 12 months was about the same as during the previous 12 months.

Over the 12 months ending in June, hourly compensation in private industry rose 2.9 percent--unchanged from its year-earlier pace (chart at lower left).

- Wages increased 3.3 percent--about the same as the year-earlier rate. With the CPI up 2.3 percent over this same period, these data imply a 1.0 percent gain in real wages.

- Hourly benefits were again held down by health insurance costs, which increased only 0.7 percent during the past 12 months.

At these rates, hourly compensation is not likely to put pressure on price inflation because--with continuing productivity gains--unit labor costs are increasing slowly.