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DEPARTMENT OF THE TREASURY
WASHINGTON

September 16, 1991

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT AND
SECRETARY OF THE CABINET

FROM: Hollis S. McLoughlin *HSM*
Assistant Secretary (Policy Management)

SUBJECT: 1991 Fall Assessment

The following report summarizes key issues and activities at the Department of the Treasury for September 15 to December 31, 1991.

I. HIGHEST PRIORITIES

1. Financial Services Modernization.
2. Enterprise for the Americas Initiative.
3. Continue thrift industry cleanup.
4. Implementation of the Brady Debt reduction plan.
5. Review of the U.S. insurance industry.
6. Continue to monitor the availability of credit.
7. Continue Tax Systems Modernization efforts and reduce burdens of tax administration.
8. Continue work toward a reduction in the capital gains tax rate.
9. Pursue international financial negotiations.
10. Assistance to Eastern Europe and the Soviet Union.
11. Investigate violations in the government securities market.

II. SURVEY OF KEY ISSUES

SECRETARIAL ACTIVITIES

- September 17-20. Secretary Brady will travel to the Soviet Union to establish contacts with the new Soviet economic team. The Secretary plans to discuss Soviet economic reforms and to review the steps and timetable for possible Soviet membership in the international financial institutions.
- October 15-17. Secretary Brady will lead the U.S. delegation to the IMF/World Bank annual meetings in Bangkok. He will also participate in meetings of the IMF Interim Committee, the Joint IMF/World Bank Development Committee, and G-7 and G-10 Finance Ministers meetings. Key issues will be the outlook for the world economy, Soviet relations with the international financial institutions (IFIs), and the debt situation of the developing countries.

LEGISLATIVE ACTIVITIES

- The Financial Institutions Safety and Consumer Choice Act of 1991 will be Treasury's top legislative priority this fall. We expect legislation to be enacted by Congress before year-end. There will be extensive testimony, briefings, speeches, review of amendments, meetings with interest groups, and many other similar activities.
- The Enterprise for the Americas Initiative. In this quarter Treasury will seek Congressional authority for additional debt reduction, our contribution to the Multinational Investment Fund, and Ex-Im Bank and CCC debt swap authority. The Environment for the Americas Board will become operational in its role of overseeing the environmental element of EAI. Its first meeting will be held in September.
- Oversight Board Activities. Deputy Secretary Robson will testify before the House Banking Committee Subcommittee on Financial Institutions Supervision to report on the RTC's funding needs and on RTC's progress in resolving failed thrifts and selling assets. Secretary Brady is scheduled to deliver the Oversight Board's required semi-annual report to Congress in November. Secretary Brady, as Chairman of the Oversight Board, and other top Treasury Officials will conduct meetings and conferences with members of Congress. The Secretary is also scheduled to chair two public Oversight Board meetings in November.
- Salomon Brothers. Treasury's Offices of Domestic Finance and Fiscal Affairs will continue to assist the SEC investigation of Salomon Brothers violations of Treasury auction rules and possible violations of securities and other laws in government securities auctions. These violations have prompted a broad investigation of whether there have been widespread violations in the industry and an analysis of the adequacy of Federal legal and regulatory authority. Treasury has recently announced changes to promote integrity in the marketplace. The Department will: require large customers to verify large bids in writing; publicly disclose information on Treasury borrowing needs two days before the announcement of regular mid-quarter funding; accelerate its joint auction automation project with the Fed; formalize information sharing with the Fed and the SEC through a permanent market surveillance operating group; and codify Treasury auction rules.

- Government Securities Act Reauthorization. A standard re-authorization of Treasury's rule making authority under the Government Securities Act has been complicated by the Salomon Brothers securities violations. The Senate passed S. 1247, which permanently reauthorizes the act, prior to the August recess. Congressman Markey has introduced a competing bill in June which would grant the SEC rulemaking authority over access and dissemination of transaction information for auctions and restrict Treasury to a consultative role. Treasury will submit a study of government securities market regulation and will report findings to Congress by December 4. In the interim period, both the House and the Senate will hold hearings which may alter the legislation.
- BCCI. The worldwide collapse of the Bank of Commerce and Credit International has focused media and Congressional attention on the bank's operations. Treasury will be an active participant in investigations and hearings throughout the fall regarding the illegal activities of BCCI.
- IMF Quota Legislation. Congress will resume consideration of legislation providing for authorization and appropriations in the FY 1992 budget for an approximately \$12 billion increase in the U.S. quota in the International Monetary Fund (IMF) and approval of the amendment of the IMF Articles of Agreement. The Senate Foreign Relations Committee is currently considering authorization. The House Banking Committee may consider legislation in late September. The deadline for completing the quota increase is December 1991.
- Government-Sponsored Enterprises (GSEs). Treasury will be working on the passage of legislation to improve the financial regulation of GSEs. There may be controversy concerning capital requirements, the regulatory structure, identity of the regulator, and the extent of the enforcement powers granted to the regulators. Treasury is proposing that it regulate Sallie Mae.
- National Drug Control Strategy for 1992. Treasury plans to work closely with ONDCP in developing the 1992 Drug Strategy. Treasury will continue to play a key role in the areas of drug interdiction and money laundering.

AGENCY/BUREAU NEWS

- Tax Systems Modernization. The Internal Revenue Service is comprehensively updating their information system to improve all aspects of taxpayer services and compliance operations. The modernization effort is expected to reduce taxpayer burden, enhance levels of service to the public, increase voluntary compliance, and minimize costs to the government. This program compliments IRS efforts to pass a tax simplification bill.
- Asset Forfeiture. Treasury and Justice will continue to prepare a series of amendments to legislation to modify the existing Justice and Customs Forfeiture Funds. The changes will focus on streamlining the two funds and on making them more parallel in operation and in redefining the permissible uses of seized assets.

REGULATIONS

REPORTS/STUDIES

- Insurance Industry Review. The Office of Domestic Finance continues to conduct a review of the insurance industry. A formal study will not be published but the Secretary has promised to share the Department's findings with Capitol Hill. Treasury has worked with OMB to prepare a briefing for Minority Members on the Administration's views on the industry. Also Treasury will continue to work with Justice in their interagency review of insurance anti-trust laws.
- Credit Availability. The Treasury Department is working with each of the four federal bank and thrift regulators, the Office of the Comptroller of the Currency, the FDIC, the Office of Thrift Supervision, and the Federal Reserve Board to collect information on credit availability. This information will be used to formulate practical solutions to improve credit availability for sound borrowers. The OCC will survey national banks with large commercial real estate portfolios regarding their lending practices. Senior OCC management will conduct follow up meetings with chief executive and lending officers. Also, the OCC and the OTS will be conducting congressionally sponsored regional credit crunch meetings.

- Condition of the Banking System. The OCC continues to monitor the condition of the banking system and shares its findings with other agencies, Congressional committees, and the general public. Updates to its 1990 year-end report will be available in September and December.

MEETINGS/NEGOTIATIONS

- Relations with the Soviet Union. Recent turmoil in the Soviet Union and its former republics will demand close attention. Major issues to be addressed are: the Soviet request for membership in the International Financial Institution (IFIs) and the treatment of the independent republics by the IFIs; the progress of economic reforms; and the coordination of technical and humanitarian assistance.
- Financial Sector Technical Assistance in East Europe. The Treasury Department is assisting Central and Eastern European countries to develop private financial institutions and to reform governmental regulatory and policy agencies. Technical assistance is being coordinated by the offices of International Affairs, Domestic Finance, and the IRS. The major activities include providing logistical support in establishing financial markets and providing training to official agencies in the formulation of tax policy and the administration of tax systems.
- Financial Negotiations. Treasury is conducting financial negotiations with a wide range of countries in both multilateral and bilateral context. These efforts include participation in the Uruguay Round and NAFTA and negotiations with Japan, Korea, China, and Taiwan. The objectives of these negotiations are to open financial markets to U.S. firms and to insure that those firms receive fair and equitable treatment after they have been established.

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

September 13, 1991

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY OF THE CABINET

FROM: GARY R. EDSON *mg/b for*
CHIEF OF STAFF AND COUNSELOR

SUBJECT: 1991 Fall Issues Assessment

The following report summarizes key issues and activities at the Office of the U.S. Trade Representative for September 15 to December 31, 1991.

HIGHEST PRIORITIES

- o Pursue the successful conclusion of the Uruguay Round of Multilateral Trade Negotiations, in accordance with G-7 London Economic Summit commitments.
- o Pursue the negotiation of a North American Free Trade Agreement (NAFTA).
- o Conduct meaningful and substantive consultations with the Congress and private sector on the Uruguay Round and NAFTA negotiations.
- o Pursue the successful conclusion of the Government Procurement Code negotiations.
- o Implement the President's Enterprise for the Americas Initiative (EAI).
- o Seek enactment of Andean Trade Preference legislation.
- o Complete negotiation of bilateral trade and investment agreements with reforming Eastern European countries and the USSR and seek speedy legislative approval for the agreements.
- o Resolve the Canada Softwood Lumber MOU issue.

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- o Implement the President's Trade Enhancement Initiative for Central and Eastern Europe by conducting a special, expedited review of GSP benefits for the region.
- o Work toward resolving key outstanding trade issues with Japan, including issues under the Structural Impediments Initiative (SII).
- o Take appropriate steps to implement the President's requirements to obtain commitments from the People's Republic of China (PRC) that resolve U.S. concerns on intellectual property rights and market access issues.
- o Work to resolve trade issues with PacRim countries, including improvement in intellectual property protection in Thailand and India; also begin negotiation of trade liberalization priorities with ASEAN under the December 1990 MOU.

SECRETARIAL ACTIVITIES (SUBJECT TO CHANGE)

- September 16 Ambassador Hills will meet with the Senate Finance Committee in Executive Session to discuss the Uruguay Round and the NAFTA negotiations.
- September 17 Ambassador Hills will participate in a White House briefing with the President for representatives of the national Hispanic community. Topics for discussion will include the Uruguay Round and NAFTA negotiations.
- September 17 Ambassador Hills will attend a meeting of the Advisory Committee on Trade Policy and Negotiations (ACTPN).
- September 18 Ambassador Hills will meet with Peruvian President Fujimori to discuss trade and investment policy issues.
- September 18 Ambassador Hills will meet with leaders of the Hispanic organization La Raza to discuss the NAFTA negotiations.

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- September 20 Ambassador Hills will address the International Forum of the U.S.-Hispanic Chamber of Commerce in Chicago.
- September 23 Ambassador Hills will meet with Carlos Ferrer, President of UNICE.
- September 23 Ambassador Hills will meet with representatives of the Swedish-American Chamber of Commerce to discuss the Uruguay Round negotiations.
- September 23 Ambassador Hills will be the keynote luncheon speaker at a meeting in Washington of the Korean Institute of America.
- September 24 Ambassador Hills will meet with Indian Minister of State for Commerce P. Chidambaram and other Indian government officials to discuss bilateral trade issues.
- September 27 Ambassador Hills will discuss the NAFTA negotiations with Mexican Secretary of Commerce Jaime Serra Puche and Canadian Trade Minister Michael Wilson during a regularly scheduled biweekly conference call.
- September 29 Ambassador Hills will participate in a Round Table discussion of International Trade Policy at Stanford University. The round table is being held in conjunction with Stanford's 100th Anniversary observance.
- September 30 Ambassador Hills will travel to Milwaukee, Wisconsin to address a meeting of the Midwest U.S.-Japan Association, and do a fundraiser for Senator Bob Kasten.
- October 1 Ambassador Hills will be the keynote speaker at the American Business Conference's Annual Meeting in Washington.
- October 4-7 Ambassador Hills will travel to New Delhi for meetings with Prime Minister Rao, Commerce Minister Chidambaram, and Finance Minister Singh.

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- October 8-10 Ambassador Hills will meet with the ASEAN Economic Ministers in Kuala Lumpur.
- October 11-12 Ambassador Hills will travel to Singapore to sign the U.S.-Singapore Framework Agreement with Deputy Prime Minister and Minister of Trade and Industry Lee Hsien. Ambassador Hills will also meet with Prime Minister Tong and Senior Minister Yew.
- October 13-14 Ambassador Hills will travel to Hong Kong for meetings with government officials.
- October 17 Ambassador Hills will participate in a meeting of the ACTPN NAFTA Task Force chaired by Kay Whitmore.
- October 18 Ambassador Hills will be the keynote speaker at the CSIS Global Leadership 2000 Forum.
- October 22 Ambassador Hills will participate in a meeting of the Services Policy Advisory Committee (SPAC).
- October 24 Ambassador Hills will participate in a meeting of the Labor Policy Advisory Committee (LAC).
- October 24-25 Ambassador Hills will be in California for fundraisers for Senator Seymour and other Republican House members.
- October 26-28 Ambassador Hills will travel to Zacatecas, Mexico for trilateral talks on the NAFTA with her Canadian and Mexican counterparts.
- October 29 Ambassador Hills will speak before the OAS Trade Conference in Washington on the Enterprise for the Americas Initiative (EAI). She will also meet with OAS Trade Ministers to continue the dialogue on EAI begun at the August 12 meeting of regional trade ministers in Costa Rica.
- November 1 Ambassador Hills will be in Farmington, Connecticut for a fund raising breakfast for Congresswoman Nancy Johnson.

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November 7 Ambassador Hills will participate in a meeting of the Industry Policy Advisory Committee (IPAC).

November 10-15 Ambassador Hills will travel to Seoul, Korea for the APEC Ministerial meeting.

November 19 Ambassador Hills will attend a meeting of the Defense Policy Advisory Committee (DPACT).

November 22 Ambassador Hills will discuss the NAFTA negotiations with Mexican Secretary of Commerce Jaime Serra Puche and Canadian Minister Michael Wilson during a regularly scheduled biweekly conference call.

November 26 Ambassador Hills will attend the meeting of the U.S.-Chilean Trade and Investment Council.

November Ambassador Hills will participate in the U.S.-EC Ministerial Meeting in the Hague.

November Ambassador Hills will travel to Japan to discuss the Uruguay Round, progress of the SII, and specific sectoral trade issues.

December 5 Ambassador Hills will be the keynote speaker at a NAFTA conference in Tucson, Arizona hosted by Congressman Jim Kolbe.

December 20 Ambassador Hills will discuss the NAFTA negotiations with Mexican Secretary of Commerce Jaime Serra Puche and Canadian Trade Minister Michael Wilson during a regularly scheduled biweekly conference call.

LEGISLATIVE ACTIVITIES

September 23 Ambassador Katz will testify before the House Ways and Means Committee on the U.S.-Soviet Trade Agreement.

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September/
December Consult on the NAFTA and Uruguay Round negotiations with all 23 congressional committees with jurisdiction, as well as with ad hoc advisory groups, and interested members and staff.

September/
December Work with the Department of State and National Security Council as soon as (if) the conditional China MFN bills are taken up in conference.

September/
December Seek approval of the U.S.-Soviet Trade Agreement, and legislation normalizing trade relations with the Baltics.

September/
December Seek enactment of the Andean Trade Preference Act of 1991. Possible House Ways and Means Committee hearing/mark-up in September/November.

September/
December Seek enactment of legislation to graduate Hungary and Czechoslovakia from Jackson-Vanik requirements.

September/
December Seek approval under fast-track of the U.S.-Mongolian and U.S.-Bulgarian Trade Agreements.

URUGUAY ROUND NEGOTIATIONS

Intensive negotiations in Geneva resume in September under GATT auspices. USTR representatives will lead interagency teams to participate in negotiations throughout the fall, following up on G-7 London Economic Summit commitments. Scheduled meetings thus far include:

September 16 USTR leads U.S. delegation to agriculture
(week of) negotiations.

September 16 USTR will lead services talks with Uruguayan
experts in Montevideo.

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- September 16 USTR leads interagency delegation to negotiations on intellectual property.
- September 16-30 USTR leads interagency delegation for bilateral negotiations on access with 25 countries.
- September 18 USTR will lead services talks with Argentine experts in Buenos Aires.
- September 19-27 USTR leads interagency delegation to services negotiations.
- September 23 (week of) Ambassador Katz will conduct consultations in Geneva on the Round.
- September 23 USTR leads interagency delegation for meetings on dispute settlement.
- September 23 Ambassador Lavorel will attend a monthly meeting in France of "Quad (U.S., EC, Japan, and Canada) Coordinators" responsible for coordination of the Round.
- September 26 Ambassador Katz will address CEO's of U.S. subsidiaries in Berne, Switzerland, at request of Ambassador Gildenhorn.
- September 27-28 Ambassador Lavorel and other Quad coordinators will attend a meeting in Geneva with negotiators on GATT rules.
- September 30 (week of) USTR leads interagency delegations to meetings on GATT rulemaking issues: (antidumping and subsidies) and investment.
- September 30 USTR leads interagency delegation to meetings on textiles.
- September/
December USTR representatives will lead an interagency delegation to Uruguay Round negotiations on a multilateral steel agreement. The intention of these negotiations is to resolve issues and conclude negotiations by December.
- October 1-5 USTR leads interagency delegation to meetings on agriculture.

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- September 26-27 USTR representatives will present case against Airbus subsidies in conciliation phase of GATT Subsidies Code dispute settlement case initiated by the United States.
- September 30 Meeting of the EAI/U.S.-Venezuelan Trade and Investment Council in Washington, D.C.
- September 30 Ambassador Katz will meet in Canada with his Canadian and Mexican counterparts to discuss the NAFTA negotiations.
- September USTR representatives lead Environmental Review with regard to Mexico and the NAFTA.
- September USTR leads negotiations with Brazil and Argentina concerning intellectual property rights reform.
- September/
December USTR will conduct the 1991 GSP Annual Review, as well as a special, expedited GSP review for the countries of central and eastern Europe.
- September/
December USTR will conduct two GSP seminars in Africa in support of the Partnership for a New Africa Initiative.
- September/
December USTR representatives and an interagency negotiating team will continue NAFTA negotiations with the Governments of Canada and Mexico.
- September/
December USTR representatives will lead an interagency delegation to the OECD negotiations on eliminating obstacles to trade in ships. The intention is to reach agreement by December.

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- September/
December USTR will chair the U.S.-Japan Trade Committee annual meeting in Hawaii. Agenda tentatively includes annual review of the implementation of Super 301 agreements reached in June 1990 on supercomputers, satellites, and wood products. Side meetings of subcommittees on computers, paper, glass, food safety, and legal services are also planned.
- September/
December USTR will co-chair (with State and Treasury) SII follow-up meetings to discuss progress in implementing commitments contained in first Annual SII Report of June 1990.
- September/
December Seek resolution with the EC of impairment of duty free bindings on corn gluten feed and oilseeds.
- September/
December Seek to extend expiring bilateral textile agreements with Egypt, India, Malaysia, Pakistan, Peru, the Philippines, and Trinidad and Tobago.
- October 1 USTR representatives will defend the United States before a GATT panel convened at the request of Canada to examine U.S. alcoholic beverage control practices affecting imports of beer and wine from Canada.
- October 1-4 USTR will hold public hearings and solicit comments on the petitions accepted in the 1991 GSP Annual Review.
- October 3-4 USTR representative will participate in Working Group on Basic Protocol of the European Community Energy Charter.
- October 7 USTR will represent the United States in conciliation by the GATT Antidumping Committee on the U.S. complaint regarding Korean antidumping duties on polyacetal resins from the United States.

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- October 8 GATT Council will establish a panel at the request of the United States to examine the EC Third Country Meat Directive that adversely affects U.S. meat exports to the EC.
- October 9-10 Ambassador Sorini will meet with Hungarian officials to renegotiate a bilateral textile and apparel agreement in accordance with the terms of the President's Eastern Europe Initiative.
- October 17 Meeting of the EAI/U.S.-Bolivian Trade and Investment Council in La Paz.
- October 21 USTR representative will lead delegation consulting with the People's Republic of China regarding implementation of launch services agreement.
- October 21 Meeting of the EAI/U.S.-Costa Rican Trade and Investment Council in San Jose.
- October 28 USTR will defend the United States before a GATT Procurement Code panel that was convened at the request of the EC to examine U.S. government procurement of sonar mapping services.
- October 31 Meeting of the EAI/U.S.-ABUP (Argentina, Brazil, Uruguay and Paraguay) Trade and Investment Council in Washington, D.C.
- October USTR representatives will lead U.S. delegations to meetings of the GATT Aircraft Committee and the Subsidies Code Committee on U.S. Airbus and FRG exchange rate dispute settlement cases.
- October USTR representative will lead U.S. delegation to the initial consultations with the Japanese under the 1991 U.S.-Japan Semiconductor Agreement.
- October USTR will lead discussions on a bilateral investment treaty with Argentine experts in Buenos Aires.

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- October USTR expects to sign a bilateral export subsidies agreement with Argentina.
- October USTR will coordinate U.S. participation in two UNCTAD-sponsored, regional GSP seminars in Poland for representatives from Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and Yugoslavia.
- November 5 Meeting of the EAI/U.S.-Salvadorean Trade and Investment Council in Washington, D.C.
- November 12 GATT Council likely to consider adoption of panel report adverse to the United States regarding U.S. import restrictions on Mexican tuna to prevent tuna fisheries' destruction of dolphin.
- November 20 Meeting of the EAI/U.S.-Nicaraguan Trade and Investment Council in Washington, D.C.
- November 26 Meeting of the EAI/U.S.-Chilean Trade and Investment Council in Washington, D.C.
- November USTR will defend the United States before a GATT Subsidies Code panel convened at Norway's request to examine U.S. countervailing duties on salmon from Norway.
- November USTR will defend the United States before three panels convened under the GATT Antidumping Code at the request of Norway, Mexico, and Hong Kong, respectively, to examine U.S. antidumping duties on salmon from Norway, cement from Mexico, and sweaters from Hong Kong.
- December 16 Meeting of the EAI/U.S.-Peruvian Trade and Investment Council in Washington, D.C.
- December USTR expects to sign a bilateral investment treaty with Jamaica.

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REPORTS

- September 18 GATT Panel convened at request of United States will issue its report regarding Canadian provincial practices affecting U.S. beer exports to Canada.
- September 30 The annual determination of the President that the steel industry has met the conditions set out in the Trade and Tariff Act of 1984 necessary to extend the Voluntary Restraint Agreement Program must be reported to Congress. A recommended determination from Ambassador Hills has been transmitted to the White House for the President's signature.
- December 31 Presidential report due to Congress certifying compliance of Hungary with Jackson-Vanik.

OTHER ACTIVITIES/EVENTS

- September 30 Administration must decide what next steps to take under section 301 if the EC has not agreed to an extension of our bilateral agreement regarding EC Enlargement.
- September 30 Orderly Marketing Arrangement (OMA) on tungsten from China expires.
- September 30 Deadline set during August 20-23 market access talks for Chinese response to U.S. proposals.
- September 30 Meat Import Act: 4th quarter estimates due; could trigger import quotas on meat.
- September/
December Continue work with Customs Service to combat textile and apparel quota fraud; seek consultations with trading partners as necessary.
- October 1 Announcement of U.S. sugar import quota allocations to foreign exporting countries.

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- October 13 Administration must notify Congress of actions taken under the Pelly Amendment in response to certification of Taiwan and Korea for driftnet fishing violations.
- October 23 Administration must notify Congress of actions taken under the Marine Mammal Protection Act in response to Mexico's purse seine fishing that destroys dolphin.
- November 26 Deadline for determinations on actionability and retaliation in India IPR protection and China IPR protection Section 301 investigations, unless extended to February 26, 1992.
- December 21 Deadline for determinations on actionability and retaliation in Thai copyright enforcement Section 301 case.
- December 26 Deadline for implementation of retaliation under section 301, if any, against India and China in response to inadequate intellectual property protection.
- December 29 Deadline for determinations on actionability and retaliation under section 301 regarding Canadian provincial practices affecting U.S. beer exports, unless GATT dispute settlement is concluded earlier, in which case the deadline is 30 days after the conclusion of dispute settlement.
- December 31 Machine Tool VRAs with Taiwan and Japan expire.
- December 31 Expiration of extension of EC Enlargement Agreement.



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

September 16, 1991

**MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY OF THE CABINET**

FROM: Anthony J. Principi

SUBJECT: 1991 Fall Issues Assessment - September 15 - December 31, 1991

DEPARTMENT GOALS

The Secretary seeks to improve the process of public sector management and believes that VA can make an important contribution in that regard, not only for veterans, but for all Americans who look to their government for services. To that end, he has set two primary standards against which VA's actions are measured. The first is quality. He has directed that VA make quality of service and operations fixed reference points towards which all VA actions be directed. The second is management. He wants VA to be the best managed service delivery organization in the Federal Government.

I. HIGHEST PRIORITIES—SUMMARY LISTING

Health

- o Simplify the criteria for health care eligibility and develop a comprehensive continuum of health care offering a full range of services from preventive medicine to hospice care.
- o Review the recommendations of the Commission on the Future Structure of Veterans Health Care and the recommendations of the Health Research Policy Advisory Committee for possible implementation.
- o Engage in a dialogue with other Federal and private sector health care policymakers to assess, clarify, and determine VA's role in National health policy and the U.S. health community.

Benefits

- o Continue the modernization of VA's automated data processing and telecommunications systems to ensure accurate and timely benefits delivery.
- o Regionalize and collocate veterans benefits processing to improve effectiveness.
- o Provide 75% of veterans with an open national or state cemetery within 75 miles of their homes.

Management

- o Implement a Department-wide philosophy of Total Quality Management with a specific emphasis on quality assurance in medical care and on customer service in veterans benefits delivery.

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II. SURVEY OF KEY ISSUES

A. SECRETARIAL ACTIVITIES - Secretary Derwinski will participate in the following activities:

- Sept. 16 address the Veterans Benefits Administration's Regional Office of Directors in Baltimore, Maryland. This speech will address the lessons learned from Desert Storm and budget issues.
- Sept. 17 attend the opening ceremony for Hispanic Heritage Month at VA Central Office.
- Sept. 18 travel to Denver, Colorado to address a regional meeting of VA Medical Center Directors Conference. This speech will highlight the lessons learned from Desert Storm and what to expect from the Commission on the Future Structure of Veterans Health Care.
- Sept. 22 travel to Dupage County, Illinois for the Welcome Home Vets Parade and Celebration.
- Sept. 26 address the 7th Annual Hellenic-American Leadership Conference in Washington, D.C. This speech will highlight the importance of the conference in building international trade and business relationships.
- Sept. 28 travel to Lamont, Illinois to give a speech on the liberation of Eastern Europe at the Lithuanian Cultural Center.
- Oct. 5 travel to Togus, Maine to attend the dedication of the clinical addition at the Togus VA Medical and Regional Office Center.
- Oct. 8 give the opening remarks to recognize National Disability Employment Awareness Month in the Department of Veterans Affairs.
- Oct. 13 travel to New York, New York to attend a dinner in honor of His Eminence Archbishop Iakovos, Greek Orthodox Archbishop of North and South America.
- Oct. 16 address the Congressional Youth Leadership Council in Washington, D.C.
- Oct. 18 speak at the dedication of the outpatient clinic at the VA Medical Center in Savannah, Georgia.
- Oct. 23 present the awards for the 1991 U.S. Savings Bond Campaign.
- Oct. 24-26 attend the VA Executive Retreat.
- Oct. 28 address the Close-up Foundation Students in Washington, D.C.
- Nov. 8 speak at the National Republican Heritage Group Council Annual Convention in Arlington, Virginia. This speech will address "Winning in 1992".
- Nov. 11 speak at the Veterans Day Ceremony at Arlington National Cemetery.
- Nov. 12 be the keynote speaker for the opening session of the VA Senior Management Conference in Washington, D.C.
- Nov. 13 travel to Worth, Illinois to address the Worth Area Chamber of Commerce on the "Status of the Economy".

II. SURVEY OF KEY ISSUES

A. SECRETARIAL ACTIVITIES (con't) -

- Nov. 20 make the award presentations at the VA EEO awards ceremony in Washington, D.C.
- Dec. 7 travel to Hawaii to attend the 50th Anniversary of the Bombing of Pearl Harbor.
- Dec. 9 travel to Guam to attend the 50th Anniversary of the Invasion of Guam.
- Dec. 14 attend the Bush-Quayle Holiday Ball as Chairman of the Ball.

B. DEPUTY SECRETARIAL ACTIVITIES - Deputy Secretary Principi will participate in the following activities:

- Sept. 17 travel to Baltimore, Maryland to be the luncheon speaker for the Veterans Benefits Administration's Regional Office Directors Conference. This speech will detail VBA management issues and TQM.
- Sept. 23 travel to Reno, Nevada to attend the 45th annual Convention of the National Association of State Directors of Veterans Affairs. This speech will outline the importance of the partnership between Congress, VA and State Director's of Veterans Affairs in serving the nation's veterans.
- Oct. 4 travel to Detroit, Michigan to attend the groundbreaking ceremony for the Allen Park replacement Medical Center.
- Oct. 8 give the opening remarks at the National Disability Employment Awareness Month program in Washington, D.C.
- Oct. 24 give the keynote address to the National Association of Veterans Program Administrators' Annual Conference in Washington, D.C.
- Nov. 6 travel to Las Vegas, Nevada to be the keynote speaker for the Federal Health Care Luncheon at the 34th Annual Conference and Convocation of the American Academy of Medical Administrators.
- Nov. 14 be a speaker at the 1991 VA Senior Management Conference in Washington, D.C. This speech will stress the importance of TQM, innovation, and strategic management.
- Nov. 22 travel to Tampa, Florida to be the keynote speaker at the Veterans in Business Opportunity Conference.
- Dec. 5 address the World Congress on Technology in Washington, D.C. This speech will address issues on the development and use of technology to advance employment of people with disabilities.

C. PREVIOUSLY REPORTED INITIATIVES AND POLICIES

Comprehensive Health Care Improvement: Current eligibility rules for VA health services are complex, difficult for veterans to understand, do not permit a continuum of care, and are inconsistent with good medical practice. VA is reviewing eligibility laws and regulations for VA health care and expects to present a proposal to the Congress with the President's budget in January to simplify eligibility rules and permit eligible veterans to receive a full range of health services. Discussions are ongoing with OMB on the proposal. We are already receiving reaction from the veterans organizations who are concerned over any possible limitation in service to any subgroup of veterans.

Commission on the Future Structure of Veterans Health Care: The Secretary of Veterans Affairs appointed 15 prominent experts in health care policy, administration, and delivery to conduct an objective examination of the VA health care system. The Commission's review is intended to provide the Secretary with recommendations on how best to structure the VA health care system to meet veterans' health care needs in the future. The Commission members have begun to crystallize their recommendations and the final report is scheduled to be presented to the Secretary in October. The Secretary expects to make the report public shortly after receiving it and to establish an interdepartmental task force to review it for possible implementation.

Medical Care Quality Management: The Department's Veterans Health Administration is pursuing significant changes and improvements in quality management programs. VA is:

- o revising regulations to clarify confidentiality of quality assurance material. Proposed revisions have been developed by a field task force and are in legal review prior to being published in the Federal Register.
- o testing national utilization management criteria to improve medical resource utilization review and reduce lengths of stay. A nine-month pilot study will begin at 24 randomly selected VA medical centers by the end of this calendar year.
- o creating a Surgical Risk Assessment Model to prospectively predict surgical mortality and morbidity for most surgical procedures performed. Clinical data collection has begun at 44 VA medical centers.
- o revising the Patient Incident Reporting Program policy to reflect VA's commitment to continuous quality improvement. The policy is currently being reviewed and is expected to be printed in December.
- o integrating the Patient Representative Program into VA's quality improvement efforts. Revised procedures have been prepared and are being coordinated internally.
- o using a quality management checklist to measure important areas of quality and focus attention on areas needing improvement in VA medical centers. Data collection using the checklist will begin on October 1.
- o implementing a standardized system for credentialing and privileging physicians and dentists. The system has been implemented and nationwide training through satellite teleconferencing was held September 5. The VA Inspector General will commence a compliance audit in the first quarter of Fiscal Year 1992.

o developing an external peer review program using the Department of Defense's program as a model. Use of a totally external review process with private sector medical record abstracters and private sector physician peer reviewers will provide a valid level of credibility to the VA peer review effort. Proposals are due from prospective contractors by October 5 and contract award is expected in December.

Federal Pharmacy: VA, the Department of Health and Human Services, and the Department of Defense are examining opportunities to control pharmaceutical expenditures and improve all other pharmaceutical services. It is anticipated that a memorandum of understanding will be developed between the three departments.

VA Supported Housing (VASH) Program: VA and HUD are planning a joint pilot project to provide permanent housing and ongoing treatment services to homeless veterans. HUD's Section 8 Voucher Program will dedicate 750 vouchers for homeless chronically mentally ill veterans and VA will provide outreach, clinical care and ongoing case management services to the homeless veterans housed through this program. Vouchers will be made available in the early part of Fiscal Year 1992.

Joint SSA/VA Pilot Project for Homeless Veterans: The Social Security Administration (SSA) and VA are working on a joint project to provide Social Security benefits to homeless veterans referred to them by VA. In addition, SSA personnel are joining VA clinical outreach teams in shelters, soup kitchens and on the streets. An SSA record search determined that 45% of homeless veterans (15,512 of 34,138) who have been seen in VA's Homeless Chronically Mentally Ill and Domiciliary Care for Homeless Veterans Programs have never applied for Social Security benefits. The first of these SSA/VA Pilot Projects was started in August at the Brooklyn VA Medical Center. The second will be started at the Dallas VA Medical Center in early Fiscal Year 1992.

Policy Governing "Life Sustaining" Medical Therapy: VA is considering policies to govern the circumstances under which it would be permissible to withhold or withdraw life sustaining medical therapy. Currently, VA elects to follow the "natural death" laws of the various States within which VA medical centers are located. In many states, however, the law is undeveloped or is unclear. In the case of states where the law is relatively well developed, the laws of the various states may be inconsistent or in irreconcilable conflict in this sensitive and difficult area. VA proposes to remedy this situation by adopting a uniform national policy. A draft policy is expected to be completed for review by October.

Persian Gulf Registry: A computerized registry to identify acute or chronic illnesses which result from exposure to oil contaminants will be initiated in Fiscal Year 1992. A medical examination will be offered to determine veterans' current health status. A "triggering mechanism" to identify disability claims has already been established. Regulatory action on the part of VA would be dependent upon scientific findings.

Rationalization of VA-DoD Benefits: The Deputy Secretaries of Veterans Affairs and Defense are discussing rationalizing the various--and sometimes overlapping--benefits available to service members and veterans. Candidate programs include records management, electronic transfer of separation information, payment and disability issues, and data exchange in a variety of areas. A Memorandum of Understanding is currently pending DoD signature.

D. ADDITIONAL INITIATIVES AND POLICIES

Secretary's Policy Board Established: The Secretary identified an Assistant Secretary for Policy and Planning as part of a recent realignment of the Department to provide impetus for a forward-thinking process. This office is to be the focal point for policy development and analysis and to facilitate change. Confirmation of this nomination by the Senate is expected in early October. One key aspect of this realignment has been the formation of the Secretary's Policy Board. Its members are the Presidentially-appointed officials of the Department who meet on a biweekly basis to consider the major policy initiatives of VA and the Administration. The new structure and decision-making processes should be beneficial in managing change and in developing policy. The Policy Board began meeting on a regular basis in late July.

Total Quality Management: The Veterans Benefits Administration continues to make excellent progress in implementing TQM. This year, each of their four Area Offices assumed responsibility for the program in regional offices and each Area Office has trained TQM instructors. Quality Improvement Teams are functioning in several regional offices and orientation has been provided to the Veterans Benefits Administration's Central Office management team. The goal is to fully implement TQM in all regional offices by Fiscal Year 1997. TQM will be implemented in all 172 medical centers by the end of Fiscal Year 1995.

Benefits Delivery System Improvements: Veterans benefits delivery will be enhanced by centralized claims processing, modernization of operations, and colocation of regional offices on medical center grounds. Two pilot studies have begun in centralized education and loan guaranty processing to test effectiveness, quality, and timeliness of processing. A project for modernization of automated systems continues and will further enhance this test.

Medical Care Cost Recovery: Reimbursement from insurers and co-payments from veterans for health care provided to veterans for nonservice-connected conditions continues to be very successful. As of the end of August, VA has collected 95 percent of its Fiscal Year goal of \$250 million. Collections in Fiscal Year 1991 will be almost double those in 1990.

Resource Planning and Management: Strategic and operational planning, budgeting, and operational management of the VA health care system will be achieved through a new Resource Planning and Management process. This process will be pilot tested during Fiscal Year 1992 and used for resource management in Fiscal Year 1993. The pilot test will commence in September with meetings of medical center directors and chiefs of staff.

Radiological Preparedness: A strategic plan (required by Executive Order 12657) for VA's capability to respond to the needs of local, state, and Federal nuclear power plant planners will be developed. The plan will include specific training for VA medical staff who may be called upon to respond to catastrophic events. The plan will also be integrated into the the National Defense Medical System.

Rural Health: Discussions are underway with the Department of Health and Human Services on a demonstration project in which VA would provide limited care to non-veterans in three or four rural areas. A legislative proposal (H.R. 2824) by Congressman Rowland (Georgia) is on a parallel track that would require a ten site demonstration. Veterans organizations have already expressed concern, particularly about the potentially negative implication for veterans' access to health care. Hearings are scheduled for October 2, 1991.

HIV Infected Health Care Workers: The Centers for Disease Control issued guidelines and recommendations on July 12, 1991, entitled "Recommendations for Preventing Transmission of Human Immunodeficiency Virus and Hepatitis B Virus to Patients During Exposure-Prone Invasive Procedures." Three regional teleconference calls to all VA medical centers were held to disseminate information on the guidelines on September 3, 4 and 5. Two other conference calls to discuss interpretation and implementation of guidelines were held with infectious disease experts in the field. A list of exposure-prone procedures will be defined in cooperation with HHS and professional groups. The policy incorporating the list will be implemented as soon as possible.

Interdepartmental Health Policy Committee: This group has been convened by OMB to address mutual health policy issues between VA, DoD, and HHS. A working group has also been formed and has as its agenda such items as pharmaceutical prices, reimbursement rates and sharing of scarce resources. The first meeting of the working group took place on September 11, 1991.

E. PREVIOUSLY REPORTED SIGNIFICANT PROBLEM AREAS

Pharmaceutical Prices: The 1990 Omnibus Budget Reconciliation Act contained provisions intended to reduce the pharmaceutical expenditures of the Medicaid program by requiring manufacturers to provide monetary rebates to the states. The amount of the rebate is equal to the difference between the price paid by the Medicaid program and the "best price" in the market place. Pharmaceutical manufacturers are raising VA's prices to lessen the rebates paid to states. Thus far, VA has measured an impact of over \$60 million annually and this will inflate at a cumulative rate of eight percent annually. Currently, two bills have been proposed to remedy the cost shifting dilemma.

The Senate appropriations amendment (to Section 520 of H.R. 2519) would exempt VA's prices from rebate calculations and would direct the Secretary to attempt to renegotiate Federal Supply Schedule contracts. The House Veterans' Affairs Committee bill (H.R. 2890) exempts all Federal prices from calculations and restores prices on depot and Federal Supply Schedule to pre-Omnibus Budget Reconciliation Act levels with an adjustment for inflation. Hearings by HVAC were held on September 11, 1991.

In another attempt to solve this problem, VA and DoD have requested a meeting with HHS to develop a memorandum of understanding on definitions for single award and depot contracts since pharmaceuticals in these categories are exempt from rebate calculations. The House Veterans Affairs Committee held a hearing on this issue on September 11.

Operation of VA's Supply Fund: OMB Circular A-34 prevents VA from computing its supply fund inventory as a budgetary resource. Supply fund inventories turn over 5.5 times per year making the fund a near cash asset for which an exemption is appropriate. The memorandum of understanding on definitions for single award and depot contracts mentioned above would enable VA to add proprietary items to depot stock and to make single award contracts which are now exempt from rebate calculations.

Ethics Reform Act of 1989: This Act placed severe restrictions on the kinds of income that career Federal employees can receive. It particularly impacts part-time professional medical personnel. Legislation (S. 242) is ready to go to the Senate floor that would correct this problem for all career employees. Similar legislation (H.R. 325) is scheduled for mark-up by the full House Judiciary Committee in the near future.

Lawsuit Delays Expansion of Calverton National Cemetery, Long Island, New York: The trial involving litigation between the Small Business Administration and a contractor who was denied award of a major construction contract to provide 90,000 additional gravesites at Calverton National Cemetery has concluded. Post-hearing briefings are being prepared by both the contractor's attorney and the Department of Justice. Continuing litigation will prevent the contract award for an extended time and VA has requested the U.S. Attorney to petition the judge for permission to initiate a separate minor construction project to develop approximately 10,000 gravesites to ensure continued operation of the cemetery.

Maintenance of the National Cemetery System: Conditions at Riverside National Cemetery, California, early this year focused media and service organization attention on the National Cemetery System as a whole. Both the House and Senate Appropriations Committees have recommended an additional \$10 million for the National Cemetery System for Fiscal Year 1992. These funds will be used to continue the restoration process at Riverside National Cemetery, as well as to improve, upgrade, and enhance current operations at all national cemeteries.

Fiscal Year 1992 Budget Impact: The austere budget for the Veterans Benefits Administration will be strained by the increased workload as a result of Operation Desert Storm. Both Appropriations Committees have recognized the problem and provided an additional \$14.1 million, provided OMB agrees to declare these costs as an emergency and fund them outside the domestic discretionary allocation available to the Committees. Failing this agreement, the additional workload will have to be absorbed and substantial delays in claims processing can be anticipated.

F. ADDITIONAL PROBLEM AREA

Surgical Program Realignment: The VA Inspector General found that actions to realign 33 surgical services would potentially improve quality of services and avoid the need for additional construction and replacement equipment. The Chief Medical Director is reviewing these recommendations for inclusion in the VA National Health Plan.

G. LEGISLATIVE ACTIVITIES

Omnibus VA Health Benefits: Both the House and Senate are considering Omnibus type legislation. The House has passed H.R. 2280 and the Senate Veterans Affairs Committee has reported S. 869. These bills contain numerous provisions on the operations of VA programs, to extend expiring authorities and to create new program initiatives. VA has expressed opposition to several provisions of these bills that direct unnecessary new program activities without a funding source or that otherwise establish unnecessary requirements.

Marriage and Family Counseling: The Senate Veterans Affairs Committee has developed legislation to authorize the VA to provide marriage and family counseling to families of returning Persian Gulf War veterans without regard to the veteran's need for VA counseling or services. A mark-up of S. 1553 was held on September 12, 1991. VA and DoD oppose the bill as being an unnecessary departure from the VA's primary mission of providing needed services to veterans.

Homeless: H.R. 232 became Public Law 102-54 on June 13, 1991. This homeless program was initially authorized by the Veterans' Home Loan Program Improvements and Property Rehabilitation Act of 1987 (Public Law 100-198). Authority for the program has been extended until September 30, 1993. The homeless program authorizes the Secretary to sell acquired properties to any state or political subdivision, or to nonprofit organizations, including veterans' organizations, working on behalf of homeless persons. Section 7 of PL 102-54 authorizes the Secretary to use suitable VA-acquired properties for a demonstration program of compensated work therapy and therapeutic transitional housing for certain eligible veterans.

Dependency Indemnity Compensation (DIC) Reform: The DIC program consists of monthly payments to surviving spouses or children of veterans whose deaths are service related. VA's reform proposal, if fully implemented would replace the current graduated-rate schedule based on service rank with a single payment level. Congressional action on DIC reform is unlikely this session. VA testimony was provided to the House in July and the Senate is studying an alternative proposal.

Persian Gulf Veterans Education Benefits: S. 868 and H.R. 1108 would amend title 10 and title 38, United States Code and improve educational assistance benefits for members of the Selected Reserve of the Armed Forces who served on active duty during the Persian Gulf War and for some active duty members as well. Briefly, they would either restore or extend benefits to individuals who served during this conflict.

Guarantee Securities Backed by Vendee Loans (S.1517 and H.R.939): This legislation was proposed by the Secretary because it would significantly increase loan sale proceeds without a material increase in guaranty risk over that incurred in connection with VA's existing recourse sale program. Over a four year period (FY 92 - FY 95), increased revenues are estimated to be \$20 million, with \$5.3 million of that total being realized in FY 92.

Foreclosure Alternatives Notification: This law was enacted in July and makes permanent the requirement that VA notify veterans in default on their VA home loans and of foreclosure alternatives available to them. It eliminates the cash sale percentage requirements on VA acquired property sales and requires VA to sell all vendee loans with recourse, unless they are sold at par. The law extends the no-bid formula through December 31, 1991, and the lender appraisal processing program (LAPP) through December 31, 1992. There is now a one year time limit to request waiver of home loan debts and VA must advise the veteran on how to apply for a waiver. VA rate reduction loans are now authorized for up to a maximum guaranty of \$46,000, the same as for loans to purchase or construct a home.

Reserve Eligibility: H.R. 939 would extend home loan guaranty eligibility to persons who completed 6 years service in the Selected Reserve of the Armed Forces (which includes the National Guard) and are not otherwise eligible for VA housing loan benefits. Floor action is expected shortly. Reserve veterans would pay a slightly higher user fee than other veterans. This would be the first time eligibility for VA housing benefits would be based on reserve service rather than extended active duty. (Under Public Law 102-25, reservists who served on active duty for 90 days or more during the Persian Gulf War qualify for VA housing loan benefits.)

H. REGULATIONS

Budget Reconciliation Act Provisions: All regulations supporting the Omnibus Budget Reconciliation Act have been published in the Federal Register except the following:

- a) Denial of service-connection for secondary effects of willful misconduct - the proposed rule was returned by OMB on August 6, 1991, due to objections from the Office of National Drug Control Policy regarding existing regulations not affected by the Budget Reconciliation Act.
- b) Limitation of benefits to incompetent veterans whose estates exceed \$25,000 - the proposed regulation was published June 4, 1991. The final regulation is in concurrence.

Rating Schedule Review: Based on a General Accounting Office recommendation, VA has initiated a systematic review of the Schedule for Rating Disabilities (38 CFR Part 4) to ensure that the schedule uses current medical terminology, contains unambiguous rating criteria, and reflects recent medical advances. Each of the body systems addressed by the rating schedule will be reviewed separately and include a contract study from an outside consultant. Reviews of the genitourinary, gynecological, cardiovascular and endocrine systems have been completed and proposed changes submitted for the concurrences required before publication in the Federal Register. Contract studies have been received for the muscular, respiratory and orthopedic systems. Contracts have recently been awarded for studies of the remaining body systems. The last study is due in January 1992. After proposed changes are published in the Federal Register, a minimum 30-day public comment period must be provided. Comments received will be reviewed and final changes formulated as quickly as possible following the close of the comment period. However, the intervals before final publication will vary based on the number and complexity of the comments received. Reaction from the veterans organizations can be expected.

Veterans Benefits Programs Improvement Act of 1991 (PL 102-86): Final regulations are being drafted in order to implement the provisions of PL 102-86, which include amending the latency period for leukemia resulting from radiation exposure and including reservists who engaged in radiation risk activities while on active duty for training or inactive duty training among those eligible for benefits under PL 100-321.

Health Effects of Exposure to Agent Orange: The Department currently has under consideration a number of regulations relating to health effects of exposure to Agent Orange. The first recognizes a significant statistical association between exposure and soft tissue sarcoma (a form of cancer). The second recognizes such an association for chloracne (a serious skin condition) developing within nine months of the veteran's last exposure to Agent Orange. It also states that a significant statistical association has not been demonstrated for porphyria cutanea tarda (a metabolic disease).

Pursuant to PL 98-542, the Veterans Advisory Committee on Environmental Hazards reviewed the proposed regulations and comments received during the public comment period at its meeting on May 23-24, 1991. The Department took into account the Committee's recommendations before preparing the final regulations (currently in the concurrence process). Publication is expected this fall.

The Advisory Committee also considered whether the current scientific literature demonstrates a significant statistical association between Agent Orange exposure and the subsequent development of diabetes, lung cancer, or peripheral neuropathy. Proposed rules establishing service connection for lung cancer are in concurrence. The Secretary has deferred a determination regarding diabetes pending further study. As a result of PL 102-4, future advice regarding the Agent Orange issue will be furnished by the National Academy of Sciences rather than by the Advisory Committee.

Medical Care Rate Revision: VA has prepared a proposed regulation to establish separate ambulatory surgery rates for outpatient care utilizing the established Health Care Financing Administration rates. Work is proceeding with revising the total rate structure for all other medical care cost recovery rates. The proposed rate revision will attempt to use actual aggregate costs instead of the per diem-based rate structure currently in use for third-party reimbursements. We anticipate some reaction from the insurance industry due to higher rates.

National Practitioner Data Bank: Regulations for VA participation in the Data Bank have been finalized. It is anticipated that they will be published in the Federal Register as a final rule early in FY 1992. They will be effective on the date of publication.

I. REPORTS/STUDIES

VA/DoD Study on Psychological Aftereffects of Desert Storm: The first of these reports, entitled "War Zone Stress Among Returning Persian Gulf Troops: A Preliminary Report," was delivered to Congress, pursuant to Public Law 102-25, on July 8, 1991. The report was the topic of a hearing with the Senate Veterans' Affairs Committee on July 16, 1991. A second report on mental health issues of Persian Gulf returnees is required in April 1992.

PTSD Study: An evaluation of VA's programs providing services to veterans with Post-Traumatic Stress Disorder (PTSD) was sent to Congress in August 1991.

Five Year Medical Facility Development Plan: The Five Year Medical Facility Development Plan will be delivered to OMB by the end of September and subsequently to Congress. The plan will likely result in two points of controversy on the Hill: it will contain lower construction funding levels than in prior years and it will not contain project funding dates.

National Survey of Veterans: VA is about to award a contract for a nationwide Survey of Veterans which will begin this fall. This is the fourth in a series and is the basis for a significant portion of policy direction and strategic planning in the Department. The outcome will be to identify changing characteristics of veterans and use patterns over time and the effects of a volunteer military and an aging overall veteran population.

Survey of Health Effects of Mustard Gas and Lewisite: VA has entered into an agreement with the Institute of Medicine of the National Academy of Sciences for a study by the Institute entitled, "Survey of Health Effects of Mustard Gas and Lewisite," to be completed October 31, 1992. The Institute will review and critically assess the published literature on the long-term health effects of exposure to mustard gas and Lewisite, a blistering agent used to make a highly toxic war gas. Interest in the long-term health effects of exposure to mustard gas has been heightened in VA by the threat of its use during the Persian Gulf hostilities and by the claims of several World War II veterans who were exposed to it during tests of protective clothing.

J. MEETINGS OR EVENTS

Dr. Joseph Juran to Address VA Executives: Dr. Juran is known as "the father of Total Quality Management" (TQM). He will be presenting an all day seminar to over 350 VA executives and managers and to members of the President's Council on Management Improvement on September 18 in Washington, D.C. The Deputy Secretary, Mr. Principi, currently the Chairman of the Board of the Federal Quality Institute, is hosting this event.

National POW/MIA Recognition Day: This year's remembrance is September 20. Congress annually passes into Public Law a Joint Resolution through which the President and Congress call upon all Americans to honor and memorialize the sacrifices of all former American POWs, those still listed as Missing in Action, and their families, as well as to promote maximum public awareness of the MIA issue.

98th AMSUS Convention: The Veterans Health Administration will host the national convention for the Association of Military Surgeons of the United States (AMSUS) in San Antonio November 17-22, 1991. The Association includes the medical departments of the U.S. Army, Navy, and Air Force, the Public Health Service and the Department of Veterans Affairs. This year's convention will emphasize continuing health education and professional excellence.

Veterans Day 1991: Plans for the national Veterans Day holiday honoring veterans are well underway. The Secretary of Veterans Affairs is the Chairman of the Veterans Day Executive Committee. DoD is coordinating appropriate support and a Presidential proclamation is under development.

VA Holiday Concert: The Department of Veterans Affairs Employees Association will present a holiday concert in Washington, D.C. at the DAR Constitution Hall on December 4, 1991. This event is in honor of our nation's veterans. Veterans from World War I to Desert Storm will attend. The concert will also serve as a benefit to raise funds for homeless veterans and will be carried on live television, via satellite, to 172 VA hospitals across the country. Additionally, Armed Forces Radio and Television Service will telecast the program to military personnel stationed overseas during the holiday season.

Fiftieth Anniversary of Pearl Harbor: The National Memorial Cemetery of the Pacific, also known as the "Punchbowl," located in Honolulu, Hawaii, will be the site of ceremonies marking the 50th Anniversary of the attack on Pearl Harbor. The Pearl Harbor Survivors Association expects 4,000 to 5,000 people in attendance at the cemetery early in the morning on December 7, 1991.

K. NEGOTIATIONS

Construction of San Joaquin Valley National Cemetery: Although construction of the San Joaquin Valley National Cemetery in California will be substantially completed by November 1991 for an opening in early 1992, the availability of water for operations and irrigation is still not assured. VA is negotiating with Bureau of Reclamation (Department of the Interior) and the California Department of Water Resources to secure both a long-term supply of water and a long-term easement from the State to construct a pumping station to distribute water. VA and Department of Interior have reached agreement on language for a legislative exemption to obtain a long-term contract and Congressional action is pending. Plans to obtain a short-term contract have been developed to maintain water availability for cemetery purposes until these issues are resolved.

Construction of VA Hospital in Hawaii: VA is negotiating with the Department of the Army to obtain land at the Tripler Army Hospital in Honolulu to construct a VA hospital.

Medical Care Cost Recovery--VA/DoD: VA and the Office of DoD Assistant Secretary for Health Affairs and Medical Corps headquarters of the Army, Air Force and Navy are continuing informal discussions to establish closer working relationships and training opportunities in the implementation of the respective medical care cost recovery programs.

Dioxin-related Scientific Literature Review: Public Law 102-4, the "Agent Orange Act of 1991", mandates the Secretary of Veterans Affairs to enter into an agreement with the National Academy of Sciences (NAS), or other "appropriate scientific organization," for the review and evaluation of available scientific evidence regarding associations between diseases and exposure to dioxin and other chemical compounds in herbicides. VA and NAS negotiations continue without resolution. NAS's continued insistence upon indemnification for the effects of any legal actions resulting from their review and recommendations has significantly delayed award of a contract for the mandated review. Congress, in an effort to comply with the NAS's request, enacted Public Law 102-86 on August 14, 1991. It provides the indemnification as requested by the NAS; however, the NAS has not yet agreed. VA is advising the NAS that either a contract must be concluded or VA must seek a contract with another appropriate scientific organization using a competitive bid process.

Clinical Laboratory Improvement Act (CLIA): An administrative provision has been established by HHS to require the VA to comply with clinical laboratory regulations when they are issued by HHS. VA has accumulated recent evidence that shows that VA labs score higher in accrediting inspections than comparable private sector laboratories and has an overall extremely low error rate. DoD has asked VA for advice on this issue and plans to set up comparable data showing DoD's laboratory performance quality. DoD plans to continue negotiations on a memorandum of understanding with HHS, and, if this fails, will be using the same legislative approach as VA to seek the authority to set its own laboratory standards.

CHAMPUS: A VA/DoD task group is analyzing VA costs against CHAMPUS allowable rates to provide a basis for negotiating local, regional, or national reimbursement rates. Legislation would be needed to permit the treatment of CHAMPUS beneficiaries in VA facilities under VA/DoD sharing agreements and to allow CHAMPUS dollars to be allocated to individual military treatment facilities under the coordinated care program.

Federal Coordinating Centers: Federal Coordinating Center (FCC) responsibility is jointly shared by VA and DoD. FCCs are an integral part of the National Disaster Medical System (NDMS). VA currently coordinates 35 of the 75 NDMS areas throughout the United States. NDMS was designed to address major medical requirements during a major catastrophic domestic disaster and the possibility of an overseas conventional conflict. VA assumed responsibility for three additional FCC areas in FY 1991 based on the Base Realignment and Closure Study. With continued downsizing of the military, VA may have to assume responsibility in discussions with DoD for the remaining FCCs in FY 1992 through FY 1995.

L. COURT DECISIONS/LITIGATION

Class Action Suit in VA Mass Review of Psychiatric Ratings in Puerto Rico--Fernando Guisti-Bravo, et al. v. VA: A settlement agreement has been signed by all parties and submitted to the court for approval.

Dioxin Disability Claims--Nehmer, et al. v. VA: Since the last report, the Secretary has continued the process of amending regulations governing disability-compensation claims based on dioxin exposure in accordance with the district court's mandate. On May 20, 1991, a Final Stipulation and Order was entered in the case requiring the Secretary to make determinations regarding certain diseases allegedly related to dioxin exposure and to hold open most claims based on dioxin exposure until additional rulemaking is completed. The stipulation also provided for entry of a final judgment in the case thirty days after the court is notified of the Secretary's determinations unless motions are pending at that time. Pursuant to the stipulation, on June 27, 1991, the Secretary announced his determinations, including his intention to propose regulations establishing service connection for peripheral neuropathy appearing within ten years of dioxin exposure, if certain confounding factors are not present. On July 31, 1991, plaintiffs filed a motion for enforcement of the final stipulation and order and to stay entry of final judgment until resolution of the matter. Based on one incident of denial of a claim which was to have been held open under the stipulation, plaintiffs allege, among other things, that the Department is not complying with the requirements of the stipulation. A hearing on the motion is set for September 23, 1991.

Limitation on Compensation to Incompetent Veterans--DAV v. VA: The Government has filed its answer, and a pre-trial conference was held on June 7, 1991. At that conference, plaintiffs indicated their intention to move for a preliminary injunction. On July 17, 1991, the Court signed a stipulation and order certifying the case as a class action. The Government agreed to stipulate to the class-action certification without prejudicing any challenge which the Government may later raise to the Court's jurisdiction over the subject matter of the action. On July 24, 1991, plaintiffs, with the agreement of the Government, filed a second amended complaint. The second amended complaint, among other things, added new allegations that the provision of the Omnibus Budget Reconciliation Act limiting compensation payments to certain incompetent veterans without dependents violated the incompetent veteran's right to due process of law. On August 14, 1991, the Government filed its answer to the second amended complaint. Plaintiffs' filed a motion for a preliminary injunction on August 16. The Government's opposition and motion to dismiss will be filed by September 20, and plaintiffs' reply will be filed by September 30, 1991. A follow-up pre-trial conference is set for October 18, 1991.

VA Employee Drug Testing Program--AFGE, Local 2110 v. Derwinski and Hansen v. Derwinski: The district court has upheld a large portion of VA's employee drug testing program. The decision permits random and reasonable suspicion testing of employees in safety-sensitive positions such as those involving direct patient care, law enforcement and certain health care support functions. These positions consist of physicians, nurses, pharmacists, medical technologists/technicians, dialysis technicians, numerous other health care positions involved in direct patient contact, diagnostic and therapeutic functions or the preparation and dissemination of drugs and medicines (such as psychologists, respiratory therapists, hematologists, microbiologists, radiology technicians, and pathology technicians), as well as firefighters, police officers/detectives, guards, protective officers, criminal investigators, motor vehicle operators, and auto mechanics. The court also upheld VA's plan to conduct tests for known drug users, but required modification of VA's standards for post-accident testing.

Limits on Contractor Claims--Reliance Insurance Company v. United States: The United States Court of Appeals for the Federal Circuit has affirmed the decision of the Court of Claims which had upheld the validity of VA's Changes Clause (commonly referred to as the "G-10 Clause"). The G-10 clause limits the compensation a contractor is able to recover for overhead expenses incurred on change orders to a percentage of the value of contract changes plus an allowance for profit. These percentages are fixed at 10 percent, 7 1/2 percent or 5 percent, dependent upon certain factors. The Federal Circuit cited for authority its 1986 holding in Santa Fe Engineers, Inc. v. United States which also upheld VA's Changes Clause and further expanded its holding in Reliance clarifying that the G-10 clause properly operates to limit recovery of overhead compensation regardless of the size and scope of contract changes. This decision will provide a major defense to the costs involved in claims against VA.

M. DEPARTMENT NEWS

Telecommunication Device for the Deaf (TDD): On August 14, 1991, VA began a special toll-free telephone service for individuals with hearing impairments. Callers with a TDD may contact a Veterans Benefits Counselor and obtain information and guidance for the full range of VA benefits and services. A counselor is available to answer the TDD circuit from 8:00 a.m. to 4:00 p.m. CST, Monday through Friday. After normal office hours, on weekends and holidays, an answering machine receives messages and the calls are returned the following business day.

Radiation Helpline: In August, VA began a special toll-free telephone helpline for veterans who may have been exposed to radiation during military service. The Helpline also provides information and assistance to the family members or survivors of these veterans. There are two circuits which are staffed by specially trained Veterans Benefits Counselors from 8:00 a.m. to 4:30 p.m. EST, Monday through Friday. After normal office hours, on weekends and holidays, an answering machine receives messages and the calls are returned the following business day. This service was established in an effort to be responsive to the sensitive issue of radiation exposure and claims from veterans and their survivors.

Match of Beneficiary Rolls with Files of IRS (Internal Revenue Service) and SSA (Social Security Administration): The Omnibus Budget Reconciliation Act of 1990, provided authority for VA to match information regarding beneficiaries with IRS and SSA files in order to identify those who may be under reporting their annual income in connection with income-based programs. A recent check of VA and IRS records enabled VA to identify \$338 million in unearned income, apparently unreported by 116,000 beneficiaries. VA is attempting to verify the income of an initial group of 13,600 recipients before action is taken to adjust benefits and recoup overpayments. Later this year VA will receive wage and pension income information from SSA and a similar project will begin based on this information. This issue has the potential for concern by service organization representatives or the media.

Ban on Tobacco Sales at VA Medical Centers: Over-the-counter sales of tobacco products in Veterans Canteen Service canteens are to cease as of October 1, 1991. Certain inpatients in long-term, chronic, and special programs, and domiciliary patients who have been identified by medical staff, will be permitted to purchase tobacco products but will have to adhere to the VA smoke-free policy and will be allowed to smoke only in areas where the policy permits. Agreements have been developed between Canteen Service and other offices to offset projected losses to the revolving fund which will result from the ban on tobacco sales.

Martinez Closing: The VA has determined that the primary patient care building at Martinez presents an unacceptable danger to patients, visitors, and staff. The Medical Center is located between two significant fault lines, and there is a significant probability of a moderate to major earthquake in the next 10 to 20 years. Several expert opinions have agreed that the Medical Center would sustain major structural and non-structural damage in a severe earthquake and that partial to complete collapse of the building could be anticipated. Severe seismic danger prompted the decision to evacuate the main patient care building at the VAMC Martinez. Evaluation of options to provide medical care to veterans in the Martinez primary service area determined that veterans would be best served by locating the medical center at the University of California, Davis. Three VA Medical Centers in the San Francisco Bay area will continue to provide inpatient care.

East Central Florida: There has been considerable political and media interest in the selection of the site for a new VAMC in the East Central Florida area. Seven sites are currently under consideration: two in Brevard County, three in Orange County, one in Orange/Seminole Counties and one in Volusia County. Volusia County has been particularly vocal in lobbying for the medical center to be sited there. At the request of the Secretary of Veterans Affairs, a task force was convened to analyze siting options and present a future course of action to meet the health care needs of veterans in East Central Florida. The task force report will be completed in the next few weeks.

New GRECC Sites: Three new GRECCs (Geriatric Research, Education and Clinical Centers) were designated by Secretary Derwinski on July 8, 1991, bringing the total number of GRECCs to 15. The VA facilities that host the new GRECCs are Miami, Madison, and Salt Lake City. In FY 1992 VA will fund one new GRECC. Competitive proposals are due by October 11, 1991, and the final selection will be designated by Secretary Derwinski by the end of the first quarter.

Released Hostage Treated at VA: Mr. Tracey, recently released by terrorists in Lebanon, remains a patient at the Boston VA Medical Center where his treatment is progressing satisfactorily. Members of his family have been contacted and all concerned appreciate the care he is receiving.

Drug Free Workplace: On July 1, VA began a 90-day pilot program at 19 facilities to conduct random drug tests of applicants for certain positions. No positive drug tests had been reported as of the end of the second month of the pilot program.

N. OTHER

Proposed New National Cemeteries: Projects to establish seven national cemeteries are in various stages of the Environmental Impact Statement process. Land acquisition and actual construction will require future appropriations. The seven potential sites would be located in Albany, Chicago, Cleveland, Dallas, Oklahoma City, Pittsburgh, and Seattle. All have attracted significant attention from the news media.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

OFFICE OF
THE EXECUTIVE SECRETARY

September 13, 1991

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY TO THE CABINET

FROM: David G. Mein *DG Mein*
Executive Secretary

SUBJECT: 1991 Fall Issues Assessment

The following report summarizes key issues and activities at the Agency for International Development for September 1 to December 31, 1991.

HIGHEST PRIORITIES -- SUMMARY LISTINGS

- o Full implementation of Agency reorganization, including Senate confirmation of Presidential appointees.
- o Support Administration efforts related to the Foreign Assistance Act reauthorization, now in conference.
- o Further program development and implementation in Central and Eastern Europe.
- o Fully respond to Administration decisions concerning assistance to the Baltics and the Soviet Union.
- o Implementation of an expanded program in South Africa, particularly related to the transition to a post-apartheid society.
- o Continue support of the Enterprise for the Americas Initiative.

SURVEY OF KEY ISSUES

ADMINISTRATOR'S ACTIVITIES

- o September 24-25: The Administrator hosts the session of A.I.D.'s Advisory Committee on Private Voluntary Assistance, which brings together key leaders from the PVO community.
- o October 8-19: The Administrator travels to Sri Lanka to visit the A.I.D. Mission; to Thailand to attend the World Bank/IMF Meetings; and to the Philippines with Ambassador Elliot Richardson on a U.S. business mission.
- o October 30: The Administrator hosts the first meeting of A.I.D.'s new Business Advisory Council in Washington, D.C.
- o November 11-24: The Administrator travels to Latin America (Ecuador, Chile, Bolivia, and Brazil) for field visits to the A.I.D. Missions in those countries. He will address the International Conference of the Partners of the Americas on November 22.

INITIATIVES AND POLICIES UNDER DEVELOPMENT

- o Agency Reorganization: A.I.D. will continue to implement the reorganization announced in April, including the establishment of the Policy, Operations, and Finance & Administration Directorates.
- o Presidential Commission on Management of A.I.D. Programs: The Commission will commence a review of A.I.D. program management. The Commission will submit a report with recommendations and findings to the President and the Congress. Over the coming months, A.I.D. is geared to give full support to the Commission in its deliberations.
- o A.I.D.'s Initiatives: A.I.D. continues with the implementation of five Agency initiatives: Support for Democracy, Business and Development Partnership, the Family and Development Initiative, the Environment Initiative, and the Management Initiative.
- o A.I.D. and Japan Aid Coordination: We will hold the fourth round of informal discussions with the Government of Japan on aid coordination. An issue for discussion concerns the recent Japanese policy on linking foreign assistance to recipient government's military spending levels.

INITIATIVES AND POLICIES UNDER DEVELOPMENT (Continued)

- o **Aid for the Baltics and the Soviet Union:** A.I.D. is continuing to prepare for Administration decisions concerning assistance to the Baltics and the Soviet Union.
- o **Angola and Ethiopia:** Working closely with State, we are planning assistance programs to both Angola and Ethiopia. We expect to begin these programs in FY 92.
- o **Latin American Debt Relief:** Consistent with the Enterprise for the Americas Initiative (EAI), we are exercising Foreign Assistance Act authority to provide debt relief to Honduras, Nicaragua, and Guyana.
- o **Enterprise for the Americas Initiative and Intellectual Property Rights:** In support of the EAI, we are working closely with USTR and the Department of Commerce to develop a program to assist Latin American countries with intellectual property rights issues.

SIGNIFICANT PROBLEM AREAS

- o **Legislation:** Foreign Assistance Act reauthorization, now in conference, includes some improvements in the law but also includes a number of problematic items. Among these are provisions overturning the Mexico City Policy and requiring funds for the UNFPA, expansion of cargo preference, caps on the amount of cash assistance, and new mandates for capital projects.
- o **Sudan and Somalia:** Our ability to provide humanitarian assistance to these two countries continues to be exceedingly difficult due to an uncooperative Khartoum government and ongoing Somali factional strife.

LEGISLATIVE ITEMS

- o Potential assistance to the Soviet Union and the Baltics.
- o Future of program in Eastern Europe, including Yugoslavia. Specific questions relate to program structure and staffing.
- o Key programmatic interest areas include: efforts to increase environmental staffing and programs; capital projects development; and, level and scope of programs in basic education, child survival, health, AIDS, and microenterprise.
- o Management issues, including overseas staffing, relationships to other agencies, as well as efforts to control waste and fraud.
- o Humanitarian relief efforts in the Soviet Union, the Philippines, the Horn of Africa (Ethiopia, Sudan, and Somalia), and possibly to Iraq under a UN umbrella.
- o Restrictions on authorities relating to programs in South Asia (India, Pakistan) and Indochina.
- o Possible future programs in Indochina, especially Cambodia.




UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
THE ADMINISTRATOR

**MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT AND
SECRETARY OF THE CABINET**

FROM: GORDON BINDER
CHIEF OF STAFF



SUBJECT: EPA 1991 FALL ISSUES ASSESSMENT

I. HIGHEST PRIORITIES

- ▶ Clean Air Act implementation: several high profile rules, proposed or final -- acid rain, permits, inspection/maintenance, and reformulated gasoline
- ▶ Continue vigorous enforcement and Superfund cleanups; complete review by Superfund Task Force of Alternative Remedial Contract Strategy; publicize program successes
- ▶ Implement President's wetlands program; review comments on new delineation manual
- ▶ Work with USTR on environmental review of NAFTA; complete Mexico Border Environmental Plan for presentation to Presidents Bush and Salinas at meeting later this year
- ▶ Legislative Priorities: Cabinet status, implementing legislation for the Basel Convention
- ▶ Complete 1993 Agency Budget emphasizing risk reduction, market incentive programs, science, reducing risks to health and environment, geographic initiatives (Great Lakes, Gulf of Mexico, Chesapeake Bay)
- ▶ Advance the quality of science at the Agency including working with outside scientists to improve risk assessment
- ▶ Expand voluntary approaches to pollution prevention and recycling
- ▶ Work closely with states and local governments (especially small communities) on waste management, water quality issues
- ▶ Finalize plans for new EPA building

II. SURVEY OF KEY ISSUES

ADMINISTRATOR'S ACTIVITIES

▶ Germany

-On September 16, the Administrator will meet with German Minister of the Environment Klaus Toepfer.

▶ RCRA Reauthorization

-On September 17, the Administrator is scheduled to testify before the Senate Environment and Public Works Subcommittee on Environmental Protection (Chairman Max Baucus, D-MT) on reauthorization of the Resource Conservation and Recovery Act.

▶ Grand Canyon

-On September 18-19, the Administrator will travel to Arizona with the President to announce final regulations limiting emissions from the Navajo Generating Station to improve visibility in the Grand Canyon, and participate in other clean air events in Arizona.

▶ Paper Industry

-On September 20, the Administrator and several Assistant Administrators are scheduled to meet with representatives of the American Paper Institute.

▶ Free Trade

-On September 23, the Administrator will participate in a panel discussion on free trade hosted by the Americas Society in New York City.

▶ Beach Clean-Up

-On September 24, the Administrator will participate in a beach clean-up event with Representative Jim Saxton (R-NJ).

▶ Canada

-On September 24, the Administrator will meet with Canadian Environment Minister Jean Charest.

▶ State Meeting

-On September 26, the Administrator will participate in the State-EPA Committee meeting with representatives from nearly all fifty states and the 10 EPA regions. The meeting will focus on agency-wide issues such as Clean Air Act implementation, groundwater protection, and environmental education.

▶ Political Event

-On September 28, the Administrator will attend a political event for Wayne Gilchrest (R-MD).

▶ Acid Rain

-In late September, EPA expects to release the proposed rules for the acid rain emissions trading program, as required by the new Clean Air Act.

▶ Pollution Prevention

-On September 30, the Administrator will visit Dow Chemical headquarters in Midland, Michigan for a meeting on pollution prevention with Dow management.

▶ Great Lakes

-On October 1, the Administrator will speak on pollution prevention at the sixth biennial meeting of the U.S.-Canada International Joint Commission in Traverse City, Michigan.

▶ Superfund

-On October 3, the Administrator is scheduled to testify before the House Public Works and Transportation Committee on the Superfund Program, efforts to accelerate site cleanups, and the EPA Task Force Report on Superfund contracting programs, which is due to be completed by September 30. The Administrator will likely make the report public the day before his testimony.

▶ National Park Service Anniversary

-On October 7-8, the Administrator will deliver an address at the 75th Anniversary Symposium of the National Park Service in Vail, Colorado, and visit the EPA Region 8 (Denver) office.

▶ Basel Convention

-On October 10, the Administrator is scheduled to testify before the House Energy and Commerce Subcommittee on Transportation and Hazardous Materials (Chairman Al Swift, D-WA) on the Administration's legislation to implement the Basel Convention on Transboundary Shipments of Hazardous Waste.

▶ Environmental Education

-On October 16, the Administrator is scheduled to participate in a press event launching the National Environmental Education and Training Foundation, which was established by the Environmental Education Act of 1990.

▶ Business and the Environment

-On November 5, the Administrator will speak at the 75th Anniversary Program of The Conference Board on business opportunities in environmental protection.

▶ Political Events

-On November 13, the Administrator will be in New York City for a GOP Fundraiser. Events in Florida and Pennsylvania are still being scheduled.

▶ Mexico/Southern California

-From November 18-22, the Administrator will travel to Tijuana, Mexico with Senator John Seymour (R-CA) and California Governor Pete Wilson (tentative) for meetings with SEDUE (Secretaria de Desarrollo Urbano y Ecologia) and a tour of the Tijuana Sewage Treatment Disposal Facility; to San Diego to meet with press and visit Scripps Institute; and to Los Angeles to meet with press, attend a fundraiser for Senator Seymour and address the Town Hall Forum on clean air, one year after the new law was signed.

▶ OECD Environment Ministerial

-On December 2-3, the Administrator is scheduled to participate in the OECD Ministerial Meeting on Environment and Development in Paris, France.

▶ Turkey

-At the National Security Council's request, the Administrator may travel to Turkey before year-end to help advance the President's commitment to President Ozal for a new long-term strategic relationship.

LEGISLATIVE ACTIVITIES

▶ Cabinet Legislation

-The Agency will continue to track Cabinet legislation, promoting the President's call for simple elevation of EPA to Departmental status. The bill is ready for a Senate vote, provided all "holds" can be lifted.

▶ Basel Convention

-EPA has the interagency lead in shepherding through Congress the Administration's legislative proposal to implement the Basel Convention on Transboundary Shipments of Hazardous Waste. While ratification of the Convention is likely, the timing of implementing legislation is uncertain. There are currently several pieces of competing legislation in the House and Senate (in particular, the Synar/Wolpe bill), which propose stricter standards for the management of hazardous waste in countries to which waste is exported.

▶ Enterprise for the Americas

-EPA is actively participating in the broad Administration effort to develop support in Congress for the Enterprise for the Americas Program as included in the House Foreign Aid Bill before the competing House and Senate bills go to conference.

▶ Clean Water Act

-EPA will continue to lay groundwork within the Administration for reauthorization of the Clean Water Act. Clean Water Act reauthorization is an important opportunity to advance a program which sets priorities based on risk and risk reduction strategies which are more market-oriented. Key issues which have surfaced during the reauthorization process to date include efforts to control nonpoint sources of pollution, wetlands protection, combined sewer overflows, stormwater runoff, wastewater treatment financing, application of market-based approaches, water conservation and financial burdens on small communities and businesses.

▶ Resource Conservation and Recovery Act (RCRA)

-The Agency will continue to work with other agencies to develop Administration positions on hazardous waste and solid waste management issues in the Congressional debate over RCRA reauthorization. Developing innovative, market-oriented approaches and preserving maximum state authority in these areas are key issues. Hearings and markups are continuing, with the Administrator scheduled to testify on September 17.

REGULATORY ACTIVITIES

▶ Clean Air Act Implementation

Navajo Generating Station Final Rule:

-On September 18, the Administrator will travel to Arizona with President Bush to announce a final rule requiring a reduction in air emissions from the Navajo Generating Station, a powerplant 15 miles from the northern edge of Grand Canyon National Park. The rule requires a 90% reduction in emissions from the plant to improve visibility in the Grand Canyon. The rule provides the utility owners with flexibility and planning time to meet the new requirements while achieving environmental improvement. The rule tracks the recent agreement between the utility owners and the environmental community.

Acid Rain Proposed Rulemaking:

-In late September, the EPA expects to announce the proposed acid rain emissions trading program. The program will include the acid rain allowance trading system, which represents the most fully developed use of market principles to achieve environmental results yet; the acid rain permit program, a flexible system providing multiple compliance options from which utilities can choose; and the continuous emission monitoring system, which will help make this market-based system credible. When finalized in May of 1992, these regulations will set a course for reducing sulfur dioxide emissions in the U.S. by 10 million tons annually by the year 2005.

Vehicle Fleet Standards:

-In late September, EPA expects to propose regulations requiring that a percentage of the vehicle fleets operating in the 21 cities with the worst air pollution meet more stringent air emission standards and use cleaner burning fuels.

Nonattainment Area Designation:

-In late September/early October, EPA expects to issue a number of decisions finalizing the boundaries of metropolitan nonattainment areas that are failing to meet certain air quality standards for air pollutants such as ozone and carbon monoxide. The Agency is processing changes in the designations resulting from a review of the technical criteria for selected rural areas where the problem is caused by the spillover of air pollution from neighboring, urbanized counties.

Reformulated Gasoline/Oxygenated Fuels:

-On August 16, EPA announced an agreement reached in negotiations among the Agency, industry, states and environmental groups setting certain standards for cleaner fuels in places with excessive ozone and carbon monoxide pollution levels. Under the new Clean Air Act, 41 cities with carbon monoxide problems will use oxygenated gasoline during winter months starting in 1992 and 9 areas with severe ozone levels will use reformulated gasoline starting in 1995. It is anticipated that this rule will be forwarded to OMB in late September and finalized by the November 15 deadline.

State Operating Permit Regulations:

-The new Clean Air Act requires EPA to finalize State operating permit regulations, with EPA oversight of State programs and enforcement of industry air pollution controls, by November 15. The proposed regulation was the subject of a heated Congressional hearing and produced over 400 comments with some asserting that the current proposal is unlawful.

Inspection/Maintenance Guidance:

-EPA is required to issue guidance on the characteristics of "enhanced" automobile inspection and maintenance (I/M) programs required by the new Clean Air Act for states with ozone nonattainment problems. The Act stipulates that EPA must require states to employ a "centralized" I/M program (a few locations with expensive high tech systems) unless the state can demonstrate that a "decentralized" program (inspection at local gas stations with less sophisticated, less expensive technology) would yield equivalent results. Several major states (Michigan, New York and California), local service stations, and emissions control equipment manufacturers currently oppose a centralized system based on concerns that such a system would be too expensive and inconvenient to consumers. Other states and interests favor it. Studies show that a centralized system would achieve greater reductions in emissions, thus reducing the increment of emission reductions that must be achieved by other sectors, including small businesses. EPA has been receiving comments on the I/M options and is scheduled to publish guidance by November 15.

WEPCO Rulemaking:

-As a result of the acid rain provisions of the new Clean Air Act, many utilities will be undertaking major pollution control projects at their plants in the next few years. Utilities have been concerned that pollution control projects could subject their units to time-consuming preconstruction permit requirements. In response to this concern, EPA expects to finalize a proposal before year-end to exclude pollution control projects at electric utility power plants from "new source review" unless EPA determines that the projects would not be environmentally beneficial. The EPA plans to reopen the public comment period this fall to invite comment on the transcript of the July 22nd Congressional hearings on this proposal.

Chlorofluorocarbons:

-In late September, EPA plans to propose regulations to phase out the production of CFCs by the year 2000 in compliance with the 1990 London Amendments to the Montreal Protocol and the new Clean Air Act.

▶ Radon

-In late September, EPA will release draft model standards and technical guidance for control of radon in new buildings.

▶ Toluene

-By late September, EPA, under a court-ordered deadline, will propose to list as "hazardous" the wastes generated during the manufacture of chlorinated toluenes, which are used in the manufacture of pesticides, herbicides, dyes, and solvents.

▶ State Water Quality Standards for Toxic Pollutants

-In early October, EPA expects to propose, as required by the Clean Water Act, federal water quality criteria for toxic pollutants applicable to state water quality standards. The rule would establish numeric, chemical-specific water quality standards for priority toxic pollutants applicable to those States that have not yet adopted their own standards for toxic pollutants. The rule would also establish a basis to assess and control the most prevalent toxic pollutants impairing surface waters.

▶ Municipal Discharge into Marine Waters

-In early October, EPA expects to publish proposed revisions to regulations governing waivers for secondary treatment requirements for municipal discharge into marine waters.

▶ Coastal Waterways

-In early October, EPA expects to publish, for public comment, proposed guidance providing direction for states on the development and approval of State nonpoint source pollution programs required to protect coastal waterways.

▶ Paper Mill Landfills

-By late October, pursuant to a consent decree, EPA will determine if regulations under the Resource Conservation and Recovery Act are necessary to address dioxin and furan emissions from paper mill sludge landfills and surface impoundments.

▶ Containerized Liquids

-By late October, EPA expects to issue a supplement to a proposed rule under the Resource Conservation and Recovery Act establishing requirements for disposal of "containerized" liquids in hazardous waste landfills.

▶ Worker Protection from Pesticides

-In late October, EPA expects to publish revised regulations strengthening protection for farmworkers and others who work with and around pesticides.

▶ Oil Pollution Prevention

-By the end of October, EPA expects to revise existing regulations on oil pollution prevention to make clear that spill prevention plans are mandatory at oil storage facilities.

▶ The Water Quality Standards Indian Regulation

-In October, EPA expects to promulgate final amendments to the Water Quality Standards Indian Regulation which would stipulate the procedures by which an Indian Tribe may qualify for treatment as a state for purposes of the Clean Water Act, and the mechanism for resolving disputes between Indian Tribes and States adopting differing water quality standards for common bodies of water.

▶ Hazardous Waste Pollution Prevention and Recycling

-In October, EPA plans to promote pollution prevention and recycling by proposing modifications to hazardous waste recycling regulations under the Resource Conservation and Recovery Act (RCRA). Also in early October, EPA will solicit public comment on a variety of RCRA issues relating to the regulatory definition of "solid waste," which governs which wastes are deemed hazardous and how that definition will limit or encourage environmentally sound recycling.

▶ Asbestos

-On approximately November 8, forty-five days after the release of a Health Effects Institute Report on the subject, EPA must respond, under court order, to a union petition by deciding whether to propose identification and management of asbestos in public and commercial buildings. EPA is working closely with OSHA to clarify that agency's role and plans with respect to its final rule on asbestos.

▶ Biotechnology

-In November, EPA expects to propose a rule under the Federal Insecticides, Fungicides and Rodenticides Act (FIFRA) governing small-scale field testing of genetically engineered biological pesticides.

▶ Perchloroethylene (PERC)

-By November 15, under a court-ordered deadline, EPA expects to take some action on perchloroethylene ("PERC") emissions from dry cleaners. EPA would either promulgate or withdraw the Agency's 1981 proposal for new source performance standards under the old Clean Air Act or propose new standards for new and existing sources under the new Clean Air Act. The extent of our action could possibly be affected by the carcinogenicity determination scheduled to be made in early October.

▶ Decision on Widely Used Pesticide

-In December, EPA expects to make a final decision on whether and how many uses to cancel of some uses of a class of widely used fungicides, ethylenebisdithiocarbamates (EBDCs) because of health risks. The proposal to cancel uses of EBDCs was made September, 1990. Since then, a market basket study has been completed which found significantly lower levels of EBDC residues on food products than had been assumed in the proposal. EBDCs are used on 55 types of fruits and vegetables.

▶ Indemnification of Superfund Contractors

-By year-end, EPA expects to issue final guidelines for indemnifying Superfund cleanup contractors.

▶ Municipal Liability under Superfund

-By year-end, EPA expects to propose national guidelines that will state how the Agency will calculate municipalities' share of the responsibility for conducting or paying for the cleanup of Superfund National Priorities List sites containing municipal solid waste or sewage sludge. Cost allocation issues will be discussed at a conference October 10-11, which will include representatives of EPA, the Department of Justice, Congress, municipalities, and other parties potentially responsible for these Superfund sites. Also by year's end, the Agency expects to develop a model settlement document for municipalities that have generated or transported municipal solid waste found at a Superfund site.

▶ State Hazardous Waste Disposal - North Carolina

-EPA is in the process of reviewing a revised capacity assurance plan submitted by North Carolina describing how the state will dispose of hazardous waste generated in the state. If the EPA finds the plan inadequate, it could withhold federal Superfund cleanup funds from projects in North Carolina.

REPORTS AND STUDIES

▶ Superfund

-On September 30, an EPA Task Force is scheduled to complete its report on Superfund contracting programs.

▶ Dioxin

-EPA is continuing its scientific reassessment of the risks from dioxin, which should be completed by Spring 1992.

▶ State Revolving Fund

-In late September, EPA expects to release the final State Revolving Fund Report to Congress which addresses the status and operation of 46 State "Revolving Fund" Programs established under the Clean Water Act to support construction of wastewater treatment facilities.

▶ Enforcement

-In early October, EPA expects to complete the Enforcement in the 1990's Project, an internal review which contains recommendations on ways to improve environmental enforcement in the United States. The report addresses environmental measures of success, regulatory development procedures, the State/Federal relationship, innovative enforcement techniques, enforcement incentives, and local government participation.

▶ Wastewater Treatment Needs Survey

-In October, EPA expects to submit to Congress the final 1990 "Needs Survey," which estimates the amount of money required to address the wastewater treatment needs of the states and Indian tribes. The Survey identifies approximately \$80.4 billion in state needs (e.g., treatment, replacement, and rehabilitation) over the next 20 years. The states have estimated that an additional \$30.2 billion will be required to meet their needs. The Survey's estimate for the capital investment required to address current Indian needs is \$633 million; the Indians estimate that an additional \$89 million will be required. The Survey is currently under review at OMB.

▶ National Pesticide Survey - Phase 2

-In October, EPA expects to release Phase 2 of the National Pesticide Survey, which discusses possible relationships among pesticide and nitrate detections in drinking water wells, pesticide use, ground-water vulnerability, and other factors.

▶ Enforcement of Water Pollution Laws

-In mid-October, EPA expects to submit a report to Congress on water pollution enforcement mechanisms. This report, required under the Clean Water Act, will propose statutory changes to improve enforcement of the nation's water pollution laws.

▶ Recycling of Used Tires

-In mid-October, EPA expects to release the results of a study on markets for used tires as part of the Agency's effort to identify potential markets for recyclable materials.

▶ Environmental Equity

-In late October, EPA expects to complete an internal review assessing the impact of Agency actions on minority and disadvantaged populations.

▶ Mideast Environmental Impact

-After his June trip to the Mideast, President Bush asked the Administrator to coordinate the interagency effort to respond to the environmental impact of the Persian Gulf War. EPA has drafted a required report from the President to Congress, describing the U.S. response to the environmental damage in the Gulf region. EPA is currently receiving comments from other agencies on the draft report and expects the report to be submitted in October.

▶ Pollution Prevention

-During Consumers' Week (week of October 20), EPA expects to finalize the Pollution Prevention Consumer Strategy required by Congress. The report outlines the Agency's strategy for providing information to consumers to promote pollution prevention. Elements of the strategy include environmental education, environmental labeling, and consumer research.

By year-end, EPA expects to release the Federal Sector Pollution Prevention Strategy which will provide direction for federal government facilities to reduce toxic emissions voluntarily. It also provides for a review of federal procurement guidelines during 1992-1993 to promote recycling and pollution prevention.

▶ Underground Storage Tanks

-In November, EPA expects to transmit a report to Congress which evaluates financial responsibility requirements for owners of underground storage tanks.

▶ Annual Update of Air Quality Data

-In mid-November, EPA expects to publish its annual update of national air quality data. This will include final 1990 data for ozone, carbon monoxide, lead, sulfur dioxide, nitrogen oxides and particulate matter.

▶ Recycled Paper

-In late November, EPA expects to release the results of a study on markets for recycled paper.

▶ Nonpoint Source Water Pollution Control Programs

-In late November, as required by the Clean Water Act, EPA expects to transmit a report to Congress on EPA's nonpoint source water pollution control program. The report describes progress the states have made in reducing nonpoint source pollution and describes EPA's plans for developing recommendations to Congress on future programs for nonpoint source pollution control. OMB has reviewed the report and EPA is now working with OMB to finalize changes.

AGENCY NEWS

▶ Wetlands

-EPA will be working with other agencies to pursue the President's August 9 program for Protecting America's Wetlands. The technical review panel on classification should get underway. EPA regional offices are field testing and with other agencies awaiting comments on the revised wetlands delineation manual. In mid to late September, portions of the revised delineation manual will be proposed through formal rulemaking. When the comment periods end, EPA and other agencies will be reviewing and analyzing the information. The Agency also will continue to work with selected states to develop comprehensive state wetlands programs.

▶ Enforcement

-The Agency will continue vigorous enforcement efforts and steady progress on Superfund cleanups, including the implementation of innovative site cleanup technologies and responsible party contributions. Fiscal year 1991 numbers should be available by mid-November.

▶ Pollution Prevention

-EPA will continue to work with private firms to expand voluntary, nontraditional approaches to pollution prevention and recycling -- such as the Agency's Green Lights program (which promotes the voluntary use of more efficient lighting by major corporations) and the 33/50 Initiative. Both programs have so far been highly successful. Over 250 companies have made commitments to reduce toxic emissions voluntarily under the 33/50 Initiative, which will result in an over 200 million pound reduction in the 17 target chemicals. EPA recently expanded the initiative to 5400 additional companies.

The Green Lights Program has enlisted over 104 corporate partners and four states to promote energy-efficient lighting, resulting in reduced pollution from electricity generation and lower electricity costs. Green Lights is in effect in approximately 1.4 billion square feet of space, representing 2% of all the commercial real estate in the country.

▶ Risk Assessment

-EPA is continuing an aggressive effort to review the Agency's risk-assessment practices to ensure consistent approaches and a sound scientific base for this work.

▶ New EPA Building

-EPA will seek to close on plans to relocate the Agency's Headquarters to a new federal building on Pennsylvania Avenue.

▶ Environmental Labeling

-EPA continues to work with the FTC and the Office of Consumer Affairs on the Interagency Task Force on Environmental Labeling. The goal of the Task Force is not to regulate advertising but to insure that consumers receive technically accurate information for their buying decisions. In November, EPA will hold public hearings on a notice asking for comment on the definitions of "recycled" and "recyclable." EPA plans to ask the FTC and the Office of Consumer Affairs to join EPA on the panel during the public hearings. EPA is also developing a larger strategy for publicizing the Agency's position on other terms such as "environmentally friendly," "compostable," and "degradable."

▶ Radionuclides Cleanup at Federal Facilities

-EPA expects to enter into a Memorandum of Understanding with the Department of Energy (DOE) to develop criteria and guidance for the cleanup of radionuclides at contaminated federal facilities. EPA has already received preliminary approval from DOE on a draft memorandum submitted in August.

▶ Working with States on Water Quality Issues

-EPA is working with states and other federal agencies to improve the consistency of environmental monitoring and reporting and to identify "indicators" for use in assessing environmental quality.

▶ Recycling Executive Order

-EPA continues to seek this proposed Order on federal agency recycling and procurement of recycled materials.

▶ Total Quality Management

-EPA has made an agency-wide commitment to Total Quality Management, and is continuing efforts to train staff and apply TQM principles to Agency activities wherever possible.

▶ Science Review

-The Administrator has launched a review of future directions for science at EPA; the effort, due to report this fall, is led by Ray Loehr, chairman of the Agency's Science Advisory Board. It should recommend several ways to strengthen science at the Agency.

▶ Environmental Education

-EPA expects to select a director of the Office of Environmental Education and finalize the strategic plan for this new mission.

MEETINGS AND EVENTS

▶ Climate Change

-Through September 20, EPA will be participating in the third session of the Intergovernmental Negotiating Committee (INC) in Nairobi, on a framework convention on climate change. The United States and other nations are attempting to reach agreement on the appropriate treatment of carbon dioxide, chlorofluorocarbons, and other greenhouse gases. The U.S. delegation is expected to discuss, among other issues, the recently completed inventory of U.S. technical cooperation programs related to climate and the possibility of other nations' conducting their own inventories.

▶ Electromagnetic Fields

-From September 18-20, the Radiation Advisory Committee of the EPA Science Advisory Board is scheduled to meet in Washington, D.C., to discuss the Agency's risk assessment of the potential carcinogenicity of electromagnetic fields as well as other topics.

▶ U.S.-Mexico Environmental Relations

-EPA will participate in public hearings and meetings on the draft U.S.-Mexico Integrated Environmental Border Plan to be held from September 16-25 in 15 sister cities along the U.S.-Mexico border. The draft Border Plan will be finalized and readied for presentation to Presidents Bush and Salinas when they meet later this year. Concurrently, EPA continues to work with the Trade Representative's Office on environmental issues related to the North American Free Trade Agreement.

▶ Forestry Conference

-From September 17-26, EPA staff will participate in the tenth World Forestry Conference in Paris, France. Expected topics of discussion include a global forestry agreement and the Tropical Forestry Action Program.

▶ Great Lakes/IJC

-From September 30-1, EPA will participate in the Sixth biennial U.S.-Canada International Joint Commission meeting on Great Lakes Water Quality. Topics for discussion at the meeting include integrated monitoring for the Great Lakes, prevention of chemicals spills in the Great Lakes Basin, and improving public participation in Great Lakes issues.

▶ Antarctic Treaty Meeting

-From October 7-18, EPA staff will participate in the 16th Antarctic Treaty Consultative Meeting in Bonn, Germany to discuss implementation of the Antarctic Protocol which covers marine pollution, waste disposal, and mineral activities.

▶ Water Resources Conference

-From November 5-7, EPA, the U.S. Geological Survey, the Bureau of Reclamation, and the Army Corps of Engineers will co-sponsor a conference in Albuquerque, New Mexico on water resource and climate issues. The conference is expected to draw over 500 participants from the public and private sectors.

▶ Environmental Education Conference

-From November 19-21, EPA will sponsor a conference "Building a Shared Vision for Environmental Education" in Washington D.C., in cooperation with The Federal Task Force on Environmental Education. The conference will launch the implementation of the National Environmental Education Act of 1990.

▶ OECD Ministerial Meeting

-On December 2-3, EPA will participate in the OECD Ministerial Meeting on Environment and Development in Paris, France. The agenda for the meeting includes discussion of ways to develop new partnerships among member countries.



Federal Emergency Management Agency

Washington, D.C. 20472

SEP 18 1991

MEMORANDUM FOR EDE HOLIDAY

ASSISTANT TO THE PRESIDENT
AND SECRETARY OF THE CABINET

FROM:

A handwritten signature in black ink, appearing to read "Grant", is written over the "FROM:" label.

GRANT C. PETERSON

SUBJECT:

1991 Fall Issues Assessment

The following report summarizes key issues and activities at the Federal Emergency Management Agency for September 15 to December 31, 1991.

I. HIGHEST PRIORITIES -- SUMMARY LISTING

1. Enact a Supplemental Appropriation Bill that funds the President's Disaster Relief Fund at an operational level.
2. Implement the next stages of the Chemical Stockpile Emergency Preparedness Program.
3. Develop legislative amendments to the Robert T. Stafford Disaster Relief Act.
4. Evaluate the Pilgrim Nuclear Power Plant's full-scale December exercise.
5. Complete the major earthquake related studies directed by Congress.
6. Complete the National Earthquake Hazards Reduction Program (NEHRP) Five-Year Plan.
7. Implement the Hotel/Motel Fire Safety Act.

II. SURVEY OF KEY ISSUES

AGENCY ACTIVITIES

- o FEMA executives to meet with organization of State officials. Director Wallace E. Stickney, Associate Director Grant Peterson, and several of FEMA's Regional Directors will travel to Lexington, Kentucky to address the Annual Meeting of the National Emergency Management Association (NEMA). NEMA is an organization of State Offices of Emergency Management. FEMA speakers will discuss agency initiatives and the status of the Disaster Relief Fund. NEMA is particularly significant for FEMA because most FEMA programs are run in conjunction with State Offices of Emergency Management.

- The Federal Emergency Management Agency will cohost the Joint Command Readiness Program (JCRP) along with the U.S. Army Forces Command. The meeting will enhance the combined military and civilian efforts to respond to the full spectrum of domestic emergencies. FEMA Director Wallace Stickney, Associate Director Grant Peterson, and other top FEMA officials will participate in this important meeting.
- FEMA to present NEHRP five year plan to Congress. FEMA will submit the National Earthquake Hazard Reduction Program (NEHRP) plan to Congress by the end of September. The plan presents the activities of FEMA, the U.S. Geological Survey, the National Science Foundation, and the National Institute of Standards and Technology. FEMA is the lead agency coordinating this five-year plan.
- National Fire Administration (NFA) Administrator Olin Greene will address the International Association of Fire Chiefs (IAFC) on major fire issues. The IAFC is a major organization within the fire community. NFA Administrator Greene will be discussing the major NFA initiatives, including the implementation of the Hotel and Motel Fire Safety Act.
- Insurance Administrator to address major insurance conference. Federal Insurance Administration (FIA) Administrator C.M. "Bud" Schauerte will address a quarterly meeting of the National Association of Insurance Commissioners (NAIC) to outline major initiatives of the Federal Insurance Administration. FIA works with the NAIC to improve the professional development of insurance agents regarding flood insurance.
- NEHRP Advisory Committee holds third meeting. Associate Director Grant Peterson will attend the third meeting of the National Earthquake Hazard Reduction Program (NEHRP) Advisory Committee. The Committee provides advice and counsel on the Government's earthquake program activities.
- Fire Administrator Olin Greene to address National Fire Protection Association. Major initiatives of the National Fire Administration affecting the nation's fire community will be the theme of NFA Administrator Greene's presentation.
- Associate Director Tony Lopez will address major ceremony commemorating National Hispanic Heritage Month. The ceremony will be jointly sponsored by FEMA, the Departments of Education and Health and Human Services, and the U.S. Information Agency. This year's theme is "500 Years of Hispanic Heritage: 1492-1992 . . . A Cultural Mosaic."

INITIATIVES AND POLICIES UNDER DEVELOPMENT

- New civil defense policy being developed. FEMA is working with the National Security Council and the Presidential Coordinating Committee Subcommittee on Civil Defense to develop new policy guidance for the civil defense program. The new policy is expected to emphasize the development of emergency response capabilities which are common to all types of emergencies as well as those unique to attack.
- FEMA developing a new nuclear power plants emergency preparedness manual. FEMA is consolidating into a single document all of the exercise policies and guidance for the Radiological Emergency Preparedness program. The manual will cover the procedures for evaluating exercises designed to protect the health and safety of the people living in the vicinity of nuclear power plants.
- National Fire Administration initiative to help determine where Federal employees may stay when traveling. Beginning September, 1992, Federal employees will not be reimbursed for travel expenses unless they stay in hotels or motels that meet the fire sprinkler requirements of the Hotel and Motel Fire Safety Act. The National Fire Administration has begun the implementation process of the Act. This will include working with Governors, State Fire Marshals, the Hotel and Motel industry and other involved entities. States will submit lists of facilities over 3 stories tall which meet the requirements. These will be forwarded to GSA for publication in the Federal Travel Regulations.

SIGNIFICANT PROBLEM AREAS

- Presidentially declared disasters are grossly underfunded. The Administration submitted a \$693 million supplemental appropriation request, a \$90 million budget amendment to the FY 92 Budget, and proposed regulatory and administrative changes. The President declared \$151 million of the \$693 million should be considered a "dire emergency," and thus exempt from offset provisions of the new budget law. This is the amount by which Congress underfunded recent appropriations requests. Public works projects submitted by States which have received Presidential disaster declarations have been held up since mid-April, 1991.
- Clean Air Act will affect availability of halon as a fire extinguishing agent. The Clean Air Act phases out the production of halon, a major fire extinguishing agent. The National Fire Administration will work with the Environmental Protection Agency to advise them of the impact on the fire community and work with them on specific exemptions permitted under the Act. In a separate but related matter, NFA is working with the National Institute of Standards and Technology to find a safe alternative to halon.

LEGISLATIVE ACTIVITIES

- The Administration proposes to increase State share of certain Disaster Assistance Programs. Appropriations language included in the \$90 Million FY 1992 Budget Amendment request will change the Federal-State cost sharing ratio from 100% Federal to 75/25 for Temporary Housing and Disaster Unemployment Assistance.

REGULATIONS

- FEMA is developing regulatory changes to the Disaster Assistance Program. Briefly, these changes will establish more specific criteria for Presidential disaster declarations and both waiver and loans of non-Federal shares of certain disaster assistance programs.
- National Earthquake Program interim rule comment period closes this month. The rule implementing cost-sharing regulations for States participating in the National Earthquake Program is expected to be published in early 1992.

REPORTS OR STUDIES

- FEMA will be completing several major earthquake studies. Congress has directed FEMA to study (1) options for funding post-earthquake investigation studies, (2) the current state of earthquake mitigation and preparedness measures, (3) indirect economic losses due to a catastrophic earthquake. FEMA is also involved in a major study of vital infrastructures in the Cajon Pass and their vulnerability to a major earthquake.
- Remapping of the Los Angeles Basin is expected to identify an additional 100,000 structures as being in a 100 year flood plain. The Army Corps of Engineers will be issuing new maps that begin the process for remapping the Los Angeles basin. Due to increased development, the flood plain is expected to be larger than previously estimated, thus including over 100,000 additional structures. The Corps action begins a process that includes meetings with State Insurance Commission officials, the Corps of Engineers, and others involved with flood plain management.

MEETINGS OR EVENTS

- The second anniversary of Hurricane Hugo and the Loma Prieta earthquake take place. September 18 is the second anniversary of Hurricane Hugo striking U.S. territory, and October 17 is the second anniversary of the Loma Prieta earthquake. There may be some limited media coverage of these anniversaries.

- Major "table-top" exercise to simulate a radiological release from Kewaunee Nuclear Power Plant. FEMA will participate in an important exercise along with the Energy Department, the Environmental Protection Agency, Agriculture Department, Transportation Department and Department of Health and Human Services in an exercise hosted by the State of Wisconsin.
- Deputy Director Jennings to represent FEMA at Tokyo conference. The Japanese government is holding the Summit Conference on Earthquake and Natural Disaster Countermeasures in Tokyo as part of the UN's International Decade for Natural Disaster Reduction. Deputy Director Jerry Jennings will address the Plenary Symposium to inform them of U.S. initiatives to reduce the impact of earthquakes.
- Media event tentatively planned for Food and Shelter program. With the passage of current levels in the FY 92 Budget, the total amount of funds appropriated over the years by Congress for the Emergency Food and Shelter program will exceed the \$1 Billion level. The formula for distributing the funds is determined by a national board of major charities which is chaired by FEMA. The National Board is tentatively planning a media event to announce the billion dollar level.
- A FEMA exercise will simulate an earthquake in the Puget Sound area. Response 91B, an exercise designed to test the Federal Response Plan will be conducted in Seattle in mid-November. The exercise will involve representatives from 27 Federal agencies, State officials, and Canadian emergency management officials.
- FEMA will evaluate the Pilgrim Nuclear Power Plant full-scale December exercise. Nuclear Regulatory Commission (NRC) regulations require nuclear power plants to conduct full-scale biennial exercises. The Pilgrim exercise will involve officials from the Commonwealth of Massachusetts, the power plant, local jurisdictions, and the NRC. This will be the first major activity at Pilgrim since the NRC Inspector General issued his report on Pilgrim and the completion of the joint NRC/FEMA Pilgrim Task Force assessment.
- Federal Insurance Administration (FIA) biennial conference addresses issues affecting diverse constituency groups. The Biennial conference in October will involve flood plain managers, insurance marketers, banks, lenders, and state and local officials to discuss all aspects of the FIA programs.

NEGOTIATIONS

- The Food and Shelter funds distribution formula is expected to change. The National Board that governs the activities of the Emergency Food and Shelter program is reviewing the formula used to distribute funds. The Board is likely to change the formula to enhance the eligibility of smaller cities and towns to receive Emergency Food and Shelter funds.

- FEMA will continue discussions with New York State to collect \$7.5 million owed since 1980. New York State owes FEMA \$7.5 million in connection with an agreement signed in 1980 related to the Love Canal pollution issue. FEMA has been discussing possible action to offset other FEMA funds going to the New York State government in an effort to collect the funds owed to FEMA.

COURT DECISIONS/LITIGATION

- No major court decisions or litigation activity is anticipated over the next 3 months. Although there have been no indications to date that litigation is being contemplated, the failure of FEMA to obligate funds for public works projects associated with disaster recovery may at some point become the subject of a lawsuit.

AGENCY NEWS

- Sixty Minutes will air a program on the Chemical Stockpile Emergency Preparedness Program. Sixty Minutes reporter Morley Safer and a film crew have visited Blue Grass, Kentucky and Tooele, Utah to conduct interviews with local residents about the Army's Chemical Stockpile Disposal Program (i.e. destroying unitary chemical weapons through incineration) sites located in those communities. The Kentucky site is particularly controversial because of its proximity to populated areas.
- Urban Search and Rescue (US&R) initiative awards first \$1.9 million in grants. Twenty-five qualified US&R Task Forces will receive grants not to exceed \$100,000 to fund specialized equipment necessary to qualify as part of the national urban search and rescue network.



National Aeronautics and
Space Administration

Washington, D.C.
20546

Reply to Attn of: X

SEP 13 1991

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY OF THE CABINET

FROM: JOHN D. SCHUMACHER
DEPUTY ASSOCIATE ADMINISTRATOR FOR
EXTERNAL RELATIONS

SUBJECT: 1991 Fall Issues Review

The following report summarizes key issues and activities at NASA for the period from September 15 to December 31, 1991.

I. HIGHEST PRIORITIES - Summary Listing

OPERATIONS

Space Shuttle Missions:

- STS-48 (Upper Atmospheric Research Satellite) Scheduled for September 1991.
- STS-44 (Unclassified DOD Satellite) Scheduled for November 1991.
- FY 1992 NASA Budget.

Expendable Launch Vehicle Launches:

- Extreme Ultraviolet Explorer (EUVE) Launch aboard a Delta II (December).
- National Oceanic and Atmospheric Administration Polar Meteorological Satellite (NOAA-I) Launch aboard an Atlas E (December).

BUDGET

- FY 1992 NASA Budget that provides for a balanced program, including Space Station Freedom.
- FY 1993 NASA Budget Preparation.

PROGRAMS

- Earth Observing System (EOS) program implementation under review.

- Critical Design Review of Space Station Freedom subsystems.
- Continued implementation of the Report of the Advisory Committee on the Future of the U.S. Space Program.
- Establish Commercial C-Band Services using TDRSS.

II. SECRETARIAL ACTIVITIES

- September 17. Education Video Conference with President Bush at NASA Headquarters.
- September 20. NASA's Multicultural Education Program Seminar, Denver, CO.
- September 22. Remarks, Aerospace Walk of Honors Award Celebration, Lancaster, CA.
- September 23. Site Visit, NASA's Dryden Flight Research Facility, Edwards, CA.
- September 24-25. NASA Advisory Council Meeting.
- September 27-29. Site Visit, NASA's Langley Research Center, Hampton, VA; Johnson Space Center, Houston, TX; and Marshall Space Flight Center, Huntsville, AL with Dr. Allen Bromley.
- October 2. NASA Honor Awards Ceremony.
- October 7. Master of Ceremonies, G.I. Joe Search for Real American Heroes Awards Program, Washington, DC.
- October 25-26. Site Visit, NASA's Stennis Space Center, Mississippi.
- October 29. Keynote Speaker, Space Exploration Conference, Houston, TX.
- November 5-6. National Academy of Sciences, Government-University-Industry Research Roundtable Meeting.
- November 6-7. Eighth Annual NASA/Contractors Conference and National Symposium, Houston, TX.
- November 13-14. NASA Advisory Council Meeting.
- November 19. STS-44 Launch.

- December 6-7. NASA Senior Management Meeting, Huntsville, AL.

III. INITIATIVES AND POLICIES UNDER DEVELOPMENT

Earth Observing System (EOS).

Significant developments over the last several months have led NASA to reevaluate implementation for the EOS program. In addition to the unplanned availability of an intermediate sized launch vehicle, Congressional (Senate Appropriations) proposals indicated that EOS funding availability through FY 2000 will be reduced by \$5 billion. NASA has asked the EOS Investigator Working Group, composed of all EOS scientists, to prioritize the science associated with this mission. Officials are examining alternative implementation concepts, including use of smaller complements of instruments on smaller spacecraft. Final recommendations on program implementation are planned to be complete in time to support the President's FY 1993 budget submission to Congress.

The Advisory Committee on the Future of the U.S. Space Program

NASA continues to examine and implement the recommendations of the Advisory Committee on the Future of the U.S. Space Program.

Space Exploration Initiative

NASA, along with the Departments of Defense and Energy, is supporting the National Space Council's efforts to develop a proposed Presidential decision document which identifies the steps to be taken by NASA and other Federal agencies in planning the nation's future space exploration activities.

Office of Exploration

An Office of Exploration has been established at NASA Headquarters and an Associate Administrator for Exploration has been selected to lead the Agency's work in planning for the Space Exploration Initiative.

Commercial Programs.

- Restructuring of the Commercial Payload Selection Board in response to GAO Report findings.
- Finalize the guidelines for foreign participation in Commercial Centers for the Development of Space.
- Selection of six Regional Technology Transfer Centers (RTTC) to be completed by the end of September.
- Continued development of the National Technology Transfer Center in Wheeling, West Virginia.

Space Station Freedom Program

The Critical Design Reviews of Space Station Freedom subsystems will begin. The Final Critical Design Review at the system level is scheduled for April 1993.

IV. LEGISLATIVE ACTIVITIES

A. Key Issues

- Achieving optimal funding of the President's FY 1992 budget request for NASA.
- Resolution of Conference on FY 1992 VA-HUD-Independent Agencies appropriations bill in manner most advantageous to President's program for NASA; House-passed bill funds all NASA accounts at FY 1991 baseline (a cut of \$1.9B from the request), while Senate-passed bill provides \$437M above the baseline and fully funds Space Station Freedom at President's request level.
- Mars Observer: Spacecraft and Instrument Production Schedule Concerns (FY 1992 Budget Issue). JPL identified FY92 funding requirements of \$90M. Senate Appropriations Committee mark-up added \$25M and capped FY92 expenditures at \$79.4M.
- Mars Observer: Achieving funding for Titan launch pad upgrades required for Mars Observer launch (DOD-Appropriations issue).
- CRAF/Cassini: Senate Appropriations Committee recommends elimination of CRAF, significant reduction in near-term budgets, and program cap.
- Earth Observing System: Senate Appropriations Committee Markup directs reduction of \$5B from EOS through the year 2000.
- LifeSat: Senate Appropriations Committee language terminates LifeSat.
- Phase B Studies: Senate Appropriations Committee reduction of all funding from Phase B studies

including the Space Infrared Telescope Facility (SIRTF), Orbiting Solar Laboratory (OSL), and the Gravity Probe-B.

B. Key Activities

- Sept - Senate floor action on H.R. 1988, the FY 1992 NASA authorization bill, is pending, and could occur at any time.
- House and Senate Appropriations Committees will mark up the FY 1991 Emergency Supplemental.
 - House and Senate Appropriations Committees will mark up a FY 1992 Continuing Resolution, which is expected to provide for continued funding for Government programs through October 17.
 - House/Senate Conference action on H.R. 2519, the FY 1992 VA-HUD-Independent Agencies appropriations bill, is expected to begin very late in September, and is unlikely to be completed before September 30. Senate Conferees have been named. House Conferees have not yet been designated.
- Oct - House/Senate Conference action on H.R. 1988, the FY 1992 NASA authorization bill, is unlikely to begin before October.

C. Hearing Schedule

- Sept 12 - Technology and Economic Performance. Senate Joint Economic Committee (Chrm. Sarbanes). NASA witness to be determined.
- Sept 24 - Earth Benefits of Space Biomedical Research. House Committee on Science, Space and Technology (Chrm. Brown). Witness to be determined.
- Sept 25 - Executive Branch Lobbying. Senate Subcommittee on Oversight of Government Management (Chrm. Levin), Committee on Government Affairs. NASA witness to be determined.
- Sept - Science Data Management. Senate Subcommittee on Science, Technology and Space (Chrm. Gore), Committee on Commerce, Science

and Transportation. Witnesses to be determined.

- Sept - Commercial Space Markets. House Subcommittee on Space (Chrm. Hall), Committee on Science, Space and Technology. Witnesses to be determined.
- Sept/Oct - Global Warming. Senate Subcommittee on Science, Technology and Space (Chrm. Gore), Committee on Commerce, Science and Transportation. A series of round table discussions and hearings is planned, devoted to a number of aspects of global warming, with witnesses to be called from NASA field installations, universities, and industry.
- Oct - Life Sciences Research. House Science, Space, and Technology Committee (Chrm. Hall) Subcommittee on Space. Witnesses to be determined.
- TBD - Foreign Competition on U.S. Government procurement of supercomputers. House Committee on Government Operations (Chrm. Conyers). Expected issues to be addressed include: GSA's policy and oversight role; the implication of the supercomputer trade agreement with Japan; and its effect, if any, on provisions of the Competition in Contracting Act. Witnesses to be determined.

D. Congressional Reports.

- Sept - A report to the House Science, Space and Technology Committee and the Senate Appropriations Subcommittee on VA-HUD-Independent Agencies on comparative costs of launching the TDRS-G spacecraft on the Space Shuttle versus an expendable launch vehicle.
- Sept - A report to the House Science, Space and Technology Committee concerning accomplishment of planned enhancements in the Assured Shuttle Availability Program.
- Oct - A report to the House Authorization Committee on Hubble Space Telescope (HST)

Operations. Document early operations of the HST Science Institute. Required by House Report 99-32.

- Nov - A report to the House Authorization Committee on the Earth-Orbit Asteroids Workshop Studies. Define program for increasing detection rate of asteroids and define systems or techniques to alter orbits of asteroids or destroy them. Required by House Report 101-763.
- Nov - A report to the House Science, Space and Technology Committee regarding the results of workshop studies concerning Earth-crossing asteroids.
- Nov - A report to the House Science, Space and Technology Committee outlining plans for increasing the incentives for NASA's Centers for the Commercial Development of Space (CCDS's) to obtain industry cash support, as well as NASA's review process for evaluating industry support and plans for periodic recompetition of CCDS contracts.
- Dec - A report to the House Authorization Committee on NASA's response to the findings and recommendations of the Synthesis Group, as well as its plans for incorporating those findings into its activities in fiscal year 1992.
- Dec - A long-range management plan for the Space Station Freedom program to the House Science, Space and Technology Committee, to include evolution of systems engineering and integration and operations responsibilities.
- Dec - A report of the House Committee on Science, Space and Technology responding to the findings of the Synthesis Group concerning alternative approaches to the conduct of the Space Exploration Initiative.
- Dec - A report to the Senate Appropriations Subcommittee on VA-HUD-Independent Agencies assessing a plan proposed by the University of Alaska for improvement and modernization of the Poker Flat Research Range, and providing a construction program outline.

V. OTHER REPORTS AND STUDIES

- Centers for the Commercial Development of Space Annual Reviews.
- Release in November of the SPINOFF 1991 publication which addresses technology transfer, technology utilization, and secondary technology applications. (This annual publication is intended to foster technology utilization by heightening awareness of the NASA technology available for transfer and its potential benefits.)

VI. MEETINGS OR EVENTS**A. NASA Programs - Significant Events**

- Sept - US-USSR Joint Working Group on Earth Science, Washington, DC.
- Sept - Direct x-ray test of Advanced X-Ray Astrophysics Facility (AXAF) mirrors.
- Sept - Proposals due for Earth Observing System (EOS) Data and Information System.
- Sept - Second Workshop on Earth-orbit-Crossing Asteroids, Ames Research Center.
- Sept - NASA Advisory Council's Exploration Task Force meeting, Washington, DC.
- Sept/Oct - US/USSR Solar System Exploration Joint Working Group, Moscow, U.S.S.R.
- Oct - Galileo Flyby of the asteroid Gaspra.
- Oct - NASA/NOAA/ERIM Earth Observations and Global Decisionmaking Conference, Washington, DC.
- Nov - Eighth Annual NASA/Contractors Conference and National Symposium, Houston, TX.
- Nov - Centers for the Commercial Development of Space Quarterly Business Meeting.
- Nov - Announcement of Phase I Small Business Innovative Research (SBIR) Selections.
- Nov - Announcement of the 1991 Recipient(s) of the George M. Low Trophy, which is NASA's Quality and Excellence Award.

- Dec - Fifth Committee on Earth Observations Satellites - Plenary, Washington, DC.
- Dec - Telemedicine and Disaster Medicine Conference, Washington, DC
- Dec - Announcement of Phase II SBIR Selections.
- Dec - Technology 2001, the Second National Technology Transfer Conference and Exposition, San Jose, CA.

International Agreements

- Oct/Nov - NASA/Italian Space Agency Memorandum of Understanding concerning bilateral cooperation on Space Station Freedom.
- Dec - NASA/National Space Development Agency of Japan Memorandum of Understanding for flight of NASA Earth sciences instruments on a Japanese platform.

International Meetings

- Sept 23-27 - US/USSR Earth Sciences Joint Working Group, Washington, DC.
- Sept/Oct - US/USSR Solar System Exploration Joint Working Group, Moscow, U.S.S.R.
- Oct - Radiation Safety of Manned Space Mission to Mars, Dubno, U.S.S.R.
- Oct 2 - Visit of German Minister for Research and Technology.
- Oct 2-4 - Visit of Chairman, Executive Board, German Aerospace Research Establishment.
- Oct 7-11 - International Astronautical Federation Conference, Montreal, Canada.
- Oct 13-15 - Pacific International Space Year Conference, Hawaii
- Oct - Semi-Annual Review Meeting for the Cooperative Radioastron Mission, Moscow, U.S.S.R.

- Oct - NATO Advanced Study Institute on Biological Effects and Physics of Solar and Galactic Cosmic Radiation, Argiraz, Portugal.
- Nov 19-21 - Interagency Consultative Group for Space Science Meeting, Japan.
- Nov - NASA/Japan Cooperative Space Activities Planning Group, Japan.
- Nov 18-19 - European Space Agency Ministerial Conference, Munich, Germany.
- Dec - Visit of French Space Agency Director General.

B. NASA's Education Activities in Support of America 2000

- Sep 14-18 Space Science Student Involvement Program (SSIP) National Symposium, Washington, DC. This is the culminating event in a national competition sponsored by NASA and the National Science Teachers Association, in which middle and high school students design experiments for a theoretical space station, compete in journalism and art competitions, and design experiments that could theoretically be performed on a supercomputer, in a zero gravity research facility, or in a wind tunnel testing facility.
- Sept 17 - Live from Washington, DC, via NASA Select, President Bush will join NASA Administrator Truly for a unique math and science lesson aimed at elementary level students. Third and fourth graders from Virginia, Maryland, the District of Columbia, and LaPorte, TX, will learn about living and working in space and will be able to ask the President questions. Participants include Astronauts Charlie Bolden and Tammy Jernigan, and NASA Goddard Aerospace Education Specialist Lisa McLeod. In addition to NASA Select carrying the program, it will be broadcast on local PBS stations throughout the country.
- Sept-Nov - Urban Community Enrichment Program being conducted in Richmond VA. A team of NASA Aerospace Education Specialists will work in that community for eight-weeks


- conducting teacher workshops, presenting classroom and assembly programs, and planning community activities.
- Sept-Dec - Strategic planning for the National Space Grant College and Fellowship Program.
- Oct 16 - NASA Educational Satellite Videoconference, the "Space Exploration Initiative." Approximately 3,000 institutions and over 10,000 teachers are expected to participate. There will be four NASA Educational Satellite Videoconferences broadcast during the 1991-92 school year.
- Oct 17-18 - Meeting of Summer Faculty Fellowship Program administrators, in part to discuss ideas for extension and enrichment of the program, including the possible inclusion of undergraduate researchers.
- Oct 24-26 - Urban Community Enrichment Program Core Teachers Training Workshop scheduled in Puerto Rico. Five NASA Aerospace Education Specialists will conduct an intensive workshop for approximately 30 teachers to enhance their mathematics, science, and technology knowledge and skills. Those 30 teachers will then return to their individual schools and conduct similar workshops for other teachers in preparation for the eight-week program to be conducted during January-March.
- Oct 27-30 - Annual Agencywide Educational Affairs Meeting, Nashville, TN. NASA Field Center Educational Program Officers, University Affairs Officers, Public Affairs Officers, and Equal Opportunity Program Officers will meet to ensure a coordinated effort in supporting America 2000, and undertaking NASA educational activities.
- Oct 29 - Release of Magellan flyover video and associated Teacher's Guide at public lecture on Magellan results at the National Air and Space Museum, Washington, DC.
- Dec 11 - NASA Educational Satellite Videoconference, "Life Science Research." Approximately 3,000 institutions and over 10,000 teachers are expected to participate.

- Dec - NASA-Industry Education Initiative. This cooperative effort between NASA and 30 corporations focuses on assisting achievement of the National Education Goals. The initiative's first objective, to define current NASA and contractor support to American education, is in its final stages and will result in a published report in January of 1992. Report data will be used to identify opportunities for future NASA-industry cooperation on education programs.
- Fall - Second videotape in the educational series Liftoff to Learning, "Go for Extravehicular Activity," available with an accompanying Teacher's Video Resource Guide through the NASA Teacher Resource Center Network and on NASA Select. The teacher's guide may also be downloaded from NASA Spacelink, NASA's electronic bulletin board.
- Ongoing - NASA's support will continue for the Tri-State Education Initiative. The initiative is designed to promote and support the efforts of Alabama, Tennessee, and Mississippi communities within a 50-mile radius of the NASA Advanced Solid Rocket Motor (ASRM) plant in Iuka, Mississippi, to develop a quality education system that will permit area citizens to obtain the skills required in a high-technology economy.

VII. EVENTS/STORIES OF INTEREST TO THE MEDIA

- Sept 12 - Launch of Space Shuttle Discovery (STS-48) on a 5-day mission including deployment of Upper Atmosphere Research Satellite, and first night landing at Kennedy Space Center, FL.
- Sept 14 - Members of the Advisory Committee on the Future of the U.S. Space Program meet at Kennedy Space Center, FL.
- Sept 17 - President Bush joins Administrator Truly on NASA Select Television for live program "Launching the School Year with President Bush," aimed at elementary-level students.
- Sept 19 - Press briefing on early results from the Space Life Sciences (SLS-1) mission, Washington, DC.

- Sept 23-27 - Scheduled meeting of US-USSR Joint Working Group on Earth Sciences, Washington, DC.
- Sept 23 - Science Briefing on Gamma Ray Observatory results, Washington, DC.
- Sept - Release of Earth Observing Satellite Engineering Review Advisory Committee Final Report.
- Oct 29 - Galileo spacecraft flies by asteroid Gaspra.
- Oct - Public Lecture on Magellan science results, Washington, DC.
- Mid-Nov - Launch of Space Shuttle Atlantis (STS-44) on a 10-day DOD mission, Kennedy Space Center, FL.
- Dec - Launch of Delta II with Extreme Ultraviolet Explorer (EUVE) satellite, Cape Canaveral, FL.
- Dec 3 - Launch of Atlas-E with NOAA-I environmental satellite, Vandenberg AFB, CA.
- Dec 3-5 - Technology 2001 Conference, San Jose, CA.
- Dec - IML-1 L-30 Briefing, Johnson Space Center and Marshall Space Flight Center.


John D. Schumacher



OFFICE OF NATIONAL DRUG CONTROL POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
Washington, D.C. 20500

September 13, 1991

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY TO THE CABINET

FROM: BOB MARTINEZ
DIRECTOR

SUBJECT: 1991 Fall Issues Assessment

The following report summarizes key issues and activities at the Office of National Drug Control Policy for September 15 to December 31, 1991:

I. HIGHEST PRIORITIES -- SUMMARY LISTING

1. Highlight continuing downward progress of drug use indicators.
2. Develop 1992 National Drug Control Strategy.
3. Stress the importance of reducing the number of heavy drug users through drug treatment and law enforcement.
4. Continued implementation of the 1989, 1990, and 1991 National Drug Control Strategies.

II. SURVEY OF KEY ISSUES

ACTIVITIES OF THE DIRECTOR

September 16,
19, 20, 30.

Governor Martinez will hold four "Kitchen Cabinet" Meetings, which will bring together a group of experts for informal discussions focusing on prevention, international, treatment, and law enforcement topics and concerns.

September 23.

Governor Martinez will travel to Montreal, Canada to address the World Conference on Therapeutic Communities.

October-
November.

Governor Martinez will conduct a series of public hearings around the country in order to learn first hand what more needs to be done to achieve continued success in the war on drugs. The first two hearings are scheduled to be held in Los Angeles, California and Columbia, Missouri.

October 12-22.

Governor Martinez is planning to travel to Europe to meet with his European counterparts and heads of state in Spain, Italy, Germany, France, Amsterdam, and the United Kingdom to discuss involvement of the European Community in efforts to counter the production of and international traffic in illicit drugs.

INITIATIVES AND POLICIES UNDER DEVELOPMENT

Nothing to report.

SIGNIFICANT PROBLEM AREAS

Congressional Budgetary Priorities -- In the increasingly tight budgetary environment, there is the continuing danger that the Congress will not meet the President's request for anti-drug programs in both the supply and demand side areas.

LEGISLATIVE ACTIVITIES

National Drug Control Strategy Implementation Act of 1991 -- ONDCP transmitted legislation to implement the President's 1991 National Drug Control Strategy in June. The following are primary elements of the legislation:

- a. Statewide Drug Treatment and Prevention Plans -- As he did in his prior two Strategies, the President has again asked Congress to require each State to develop and implement a Statewide Treatment and Prevention Plan as a condition of receiving Federal Alcohol, Drug Abuse, and Mental Health (ADAMHA) block grant funds. The purpose of this requirement is to ensure that each State has a framework within which to monitor and hold accountable State treatment and prevention programs.
- b. Capacity Expansion Program -- The President's 1991 National Drug Control Strategy calls for \$100 million to be spent on a new, carefully targeted program to expand drug treatment capacity in the States.

- c. **Maintenance of Effort** -- This legislation would prevent States from supplanting their own expenditures for drug-related activities with ADAMHA block grant funds.

Senate Confirmation of Associate Director for State and Local Affairs -- After nomination by the President, ONDCP will work to ensure speedy confirmation.

Crime Bill -- ONDCP will continue to work with the Department of Justice to urge swift consideration of the President's Crime Bill, which contains a number of drug-related provisions.

ADAMHA Reauthorization -- Congress will consider legislation reauthorizing the Alcohol, Drug Abuse, and Mental Health block grant program. ONDCP will work with the Department of Health and Human Services to ensure that this legislation reflects the President's drug treatment and research priorities.

Peru Determination -- The Peru Determination was transmitted to the Congress on July 30, 1991 requesting economic aid for Peru totaling \$94 million. A number of holds were placed on the notification based on human rights concerns and poor counternarcotics performance. ONDCP has been urging Congress to lift the holds on the Peru Determination as the Bush Administration believes that aid to Peru is indispensable in combatting the war on drugs. Because of Peru's position as the largest producer of coca leaf, we would suffer a setback in halting cocaine trafficking from Peru and the entire Andean region.

REGULATIONS

Nothing to report.

REPORTS OR STUDIES

September 17. Release of Drug Abuse Warning Network (DAWN) data for 1991.

December 15. Release of 1991 Household Survey on drug abuse.

MEETINGS OR EVENTS

Nothing to report.

NEGOTIATIONS

Nothing to report.

COURT DECISIONS/LITIGATION

Nothing to report.

OTHER

Nothing to report.



OFFICE OF NATIONAL DRUG CONTROL POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
Washington, D.C. 20500

September 13, 1991

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REGULATIONS

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REPORTS OR STUDIES

| | |
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MEETINGS OR EVENTS

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NEGOTIATIONS

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COURT DECISIONS/LITIGATION

Nothing to report.

OTHER

Nothing to report.



UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT

WASHINGTON, D.C. 20415

OFFICE OF THE DIRECTOR

SEP 13 1991

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT AND
SECRETARY OF THE CABINET

FROM: CONSTANCE BERRY NEWMAN
DIRECTOR

Subject: 1991 Fall Issues Review

The following report summarizes key issues and activities at the Office of Personnel Management for September 15 through December 31, 1991.

I. HIGHEST PRIORITIES -- SUMMARY LISTING

- In support of the President's Education Initiative, **America 2000**, OPM is continuing to work with Departments and agencies to encourage the development of implementation strategies. We will provide general information about the **America 2000** initiative's impact on the Federal Government, develop information about "skill centers" and explain how a range of skill center activities can be implemented economically and effectively, and provide information about skill upgrading.

- Continue the various activities of the Administration's Federal Employees Health Benefits Program reform efforts with the Domestic Policy Council Task Force created to address this issue. A proposal is being prepared for presentation to the Domestic Policy Council. Tab A

- Development of Pay for Performance Systems for the Federal Workforce. Tab B

- Continue implementation of the Federal Employees Pay Comparability Act (FEPCA). Tab C

- Complete development and begin implementation of human resource development strategies to improve executive, management, and supervisory programs OPM offers to other agencies, and to make systemic improvements in the way agencies manage their human resources.

II. SURVEY OF KEY ISSUES DIRECTOR'S ACTIVITIES

The Director will address:

- September 18. The Director will address via video conference the participants at OPM's Western Executive Seminar Center in Denver, Colorado. The Western Executive Seminar Center is a training facility for Federal executives who work in the Western United States. Topic: The Administration's Top Federal Human Resources Management Priorities.
- September 19. The Director will address the 1990-91 graduating class of the Council for Excellence in Government Fellows during a graduation ceremony and Excellence in Government Lecture program in the National Academy of Sciences Auditorium in Washington, D.C. The Council for Excellence in Government is an organization consisting of former Government officials who promote the improvement of the workings of the Federal Government. Topic: The State of the Civil Service.
- September 22. The Director will address the Hispanic Association of Colleges and Universities' Fifth Annual Meeting in San Juan, Puerto Rico. Topic: Creating a More Diverse Federal Workforce.
- September 24. The Director will address the Department of Health and Human Services Human Resource Management Conference in Baltimore, Maryland. Topic: Human Resources Management in the 1990's.
- September 30. The Director will address OPM's observance of National Hispanic Heritage Month. Topic: 500 Years of Hispanic Heritage.
- October 4. The Director will speak at a roundtable on women in the public sector sponsored by the National Capital Area Chapter of the American Society for Public Administration. The transcripts of the roundtable will serve as a basis for a career guide for women in Government which will be published and distributed free-of-charge. Topic: Women and Leadership in the Public Sector.
- October 7. The Director will speak at the 1991 Training Conference on Public Personnel Administration sponsored by the International Personnel Management Association in Philadelphia, Pennsylvania. Topic: Public Service and the Role of Human Resource Management.
- October 11. The Director will speak at the International Consortium of Black Women in Business 1991 Conference in Washington, D.C. Topic: Leadership for the Future.

- October 16-17. The Director will address the U.S. Department of Treasury, Bureau of Public Debt, Managers' Forum in Washington, D.C., and Parkersburg, West Virginia. Topic: Human Resources and the Federal Workplace.
- October 17. The Director will address the Department of the Army, Huntington District Corps of Engineers, Career Day in Huntington, West Virginia. Topic: Career Goals and Advancement in the Federal Service.
- October 24. The Director will address the U.S. Department of Treasury Federal Law Enforcement Training Center Distinguished Lecturer Program in Glynco, Georgia. Topic: The Future of Training in the Federal Government.
- October 29. The Director will address "Access 2000," a conference sponsored by OPM to address the issues associated with access for people with disabilities to employment opportunities in the Federal Government. Topic: The Need to Employ People With Disabilities.
- November 5. The Director will address a special forum sponsored by the Nuclear Regulatory Commission on "Strengthening the Federal Women's Program." Topic: Employing Women in the Federal Government.
- November 19. The Director will address the 1991 OPM Conference of Agency Classification Program Managers. Topic: Classification Reform.
- November 20. The Director will address the annual conference of the Federal Section of the International Personnel Management Association in Washington, D.C. Topic: Managing Change in Federal Human Resources Management.
- December 3. The Director will speak at the first World Congress on Technology, an international conference focusing on technology in the workplace for people with disabilities. The conference is being sponsored by the Council on Accessible Technology. Topic: The Americans with Disabilities Act and the Federal Workplace.
- December 4. The Director will speak at the 22nd Annual Conference of the Classification and Compensation Society. Topic: Classification Reform in the Wake of Pay Reform.

INITIATIVES AND POLICIES UNDER DEVELOPMENT

LEGISLATIVE ACTIVITIES

- Federal Retirement Program. OPM will seek to amend the retirement provisions to simplify administration of this program.

- FEPCA Technical Amendments. The Administration submitted proposed legislation to Congress in late June 1991 to clarify the original intent of certain provisions of the Federal Employees Pay Comparability Act of 1990 and to correct certain technical drafting errors in that legislation. The proposed legislation was introduced in Congress, but only one set of technical amendments has been enacted to date. Public Law 102-77 (July 26, 1991) amends the Executive Level I aggregate limitation on pay to clarify that this limitation does not apply to payments received as a reimbursement for travel and transportation and other expenses the employee would not have incurred if he or she had not been assigned to duty outside the United States.

OPM will continue to work with the appropriate committees in the Senate and House to secure enactment of the remaining technical and conforming amendments.

PENDING REGULATIONS

- **FEHB Disputed Claims Procedures** Final regulations to clarify when OPM can make a decision concerning a disputed health benefits claim without requesting additional information. The regulations clarify that OPM may render a decision without requesting information beyond that supplied with the claimant's request for reconsideration or without information from the health plan when the health plan fails to supply information within the regulatory timeframe. The clarification allows earlier resolution of the decision and may ease financial hardship for claimants. Interim regulations were published on April 23, 1991. Final regulations were signed by the Director August 29, 1991, and sent to OMB.

- **FEHB Continuation of Coverage During a Period of Military Furlough in Support of Operation Desert Shield** OPM has postponed until passage of related pending legislation publication of final regulations to waive the employee share of the health benefits premium for employees who continue their coverage under the Federal Employees Health Benefits (FEHB) Program while they are on military furlough (leave without pay) because of military service in support of Operation Desert Shield. Interim regulations waiving the employee share of health benefit premiums for these employees have been in effect since September 25, 1990.

- **FEHB; Negotiations for Changes in Benefits and Rates; Nonrenewal of Contracts** OPM is planning to meet with interested parties in December prior to issuing final regulations to clarify the Federal Employees Health Benefits (FEHB) provisions on benefit and rate negotiations and the nonrenewal of contracts at the end of a contract term. Clarification is necessary to address situations where negotiations break down and either party decides not to renew an existing health benefits contract by issuing a notice of termination at the end of a contract term.

- **Federal Employees Health Benefits Acquisition Regulations; Termination of Contracts** OPM plans to issue final regulations late this year to clarify which sections of the Federal Employees Health Benefits (FEHB) law and regulations control the termination of a contract under the FEHB Program. The regulations cite the statutory and regulatory authorities governing termination because of withdrawal of approval of a health benefits plan or carrier, as well as those governing nonrenewal of a contract at the end of the contract term. The regulation also amends Part 1631 of title 48 of the Code of Federal Regulations to implement section 7002(c) of Public Law 101-508, which exempts FEHB Program carriers, underwriters, and plan administrators, from State taxes on FEHB premiums. The new law necessitates a clarification in OPM's implementing regulations at 1631.205-41 stating that the charge of a State premium tax by a carrier to the FEHB contract will no longer be an allowable cost. Proposed regulations were published May 6, 1991. As a result of comments received, we have isolated the premium tax portion from the regulation and are sending it forward as a separate package. OPM plans to meet with the commenters in December on the contract termination portion.

- **Federal Employees' Group Life Insurance Acquisition Regulation** In December, OPM is scheduled to propose regulations which describe the method by which the U.S. Office of Personnel Management (OPM) implements and supplements the Federal Acquisition Regulation (FAR) for the Federal Employees' Group Life Insurance (FEGLI) Program. OPM is proposing these regulations to identify formally in regulations the basic and significant acquisition policies unique to the FEGLI Program.

- **Direct Payment of FEHB Premiums for Civil Service Retirement System (CSRS) and Other Annuitants** Final regulations are scheduled for issuance in November implementing Public Law 101-303 which permits Civil Service Retirement System (CSRS) annuitants and other annuitants to pay Federal Employees Health Benefits (FEHB) premiums directly to their retirement system rather than through annuity withholdings if the premium of their preferred plan exceeds the amount of their annuity. Interim regulations were published June 6, 1991.

- **Spousal Court Orders Affecting Retirement Benefits** OPM is scheduled to propose new rules in December governing court orders that award retirement system benefits to an employee's former spouse.

- **Reemployed Annuitants** Proposed regulations are scheduled for publication in December to provide a consolidated statement of the rules governing benefit provisions applicable to reemployed annuitants under the Civil Service Retirement System and the Federal Employees Retirement System.

- **Payments to Small Estates** Proposed regulations are scheduled for publication in September to establish OPM policy to facilitate payments of lump-sum retirement and life insurance benefits in cases of deceased former employees whose estates are being administered under small estate provisions of State law that forego the need for formal appointment of an Executor to pay amounts due the estate.

- **CSRS Offset** Proposed regulations governing retirement benefits of CSRS-Offset employees (those covered by both the Civil Service Retirement System (CSRS) and full Social Security) are scheduled for publication in November. These regulations complete OPM's regulatory framework applicable to this category of social security-covered employees who retain coverage under the CSRS.

- **FERS Law Enforcement Officers, Firefighters, Air Traffic Controllers** Final regulations implementing the special FERS provisions relating to retirement of law enforcement officers, firefighters and air traffic controllers are scheduled for publication in November.

- **Personnel Suitability, National Security Positions, and Personnel Investigations** OPM published interim revised regulations in April covering personnel suitability, national security positions, and personnel investigations (5 CFR 731, 732, and 736, respectively). Widely divergent comments were received from a House subcommittee, Federal agencies, Federal employee unions, public interest organizations, and individuals. Publication of final regulations is anticipated in September.

REPORTS AND STUDIES

Classification System Research

As phase two of our effort to achieve real reform of the Federal pay system, OPM is conducting research on the need to make changes in the Federal Position Classification System for white collar occupations. We announced our plans in a press release on August 2. We will follow up with a series of briefings for agency personnel and line managers, interested staff at OMB,

appropriate Senate and House staffs, the major Federal unions, various professional associations and interest groups. Once we have determined what classification system problems were not resolved by passage of the Federal Employees Pay Comparability Act, we will evaluate the acceptable alternatives with all the stakeholders, as we did with the phase one pay system changes.

Federal Productivity Study

The U.S. Office of Personnel Management was charged by Section 535 of the Federal Employees Pay Comparability Act of 1990 (as incorporated in Section 529 of Public Law 101-509) to "review and report on the productivity of the Federal workforce."

This study is now underway with a November 1, 1992, reporting date to Congress. All agency heads have been asked to provide OPM with information on any significant studies undertaken over the past 10 years which deal with productivity or quality of service. These reports will be consolidated into the final report to Congress.

In addition, OPM is in the process of contracting out a study which will identify and analyze successful applications of theoretical models geared to increase productivity and quality of service in the following areas:

- o human resource accounting
- o strategic planning
- o budgeting and payroll cost control
- o work planning processes, and
- o customer service.

Other initiatives involve an analysis of change in the composition of the Federal workforce, an examination of trends in productivity, and a study of Federal Government organizations which have achieved awards for their success in implementing Total Quality Management programs.

Critical information will also be gained through a major Governmentwide Survey of Federal Employees (SOFE). OPM has field tested this survey and is preparing to administer it to a random sample of 53,000 Federal employees nationwide in November 1991. We anticipate that the survey will be administered every 2 years thereafter. The major topics of inquiry are the following:

- o job satisfaction
- o pay satisfaction
- o reward systems
- o pay reform
- o performance management
- o working conditions
- o recruitment and retention

- o work and family issues
- o benefits
- o productivity
- o employee and organizational values, and
- o the position classification system.

Review of Nonforeign Area Cost-of-Living Allowance Program

Under section 5941 of title 5, United States Code, and Executive Order 10,000, OPM is authorized to establish cost of living allowances of up to 25 percent in nonforeign areas in which the cost of living is significantly higher than the cost of living in the Washington, DC, area. Allowances are paid in Alaska, Guam, Hawaii, Puerto Rico, and the Virgin Islands. The allowances must be reviewed annually.

The 1989 COLA survey, which was conducted under a new methodology, called for substantial reduction or elimination of most COLA rates. Although the results of the survey have not been implemented, they were published in the Federal Register for comment early in 1990. This resulted in nearly 7,000 letters noting concern about the new COLA methodology, as well as considerable congressional interest, particularly from the Alaska and Hawaii delegations. The Senate has added a rider to its version of the 1992 Treasury, Postal, Executive Office of the President, and independent agencies appropriations bill that would stop any reductions in COLA rates through December 31, 1995, and require OPM to study the COLA methodology and submit a report to Congress proposing adjustments to the methodology.

OPM is developing (with the assistance of a contractor) and expects to administer in the next few months a survey of COLA recipients on their housing costs and consumer expenditure patterns. The survey also will be administered to a random sample of Federal employees in Washington, DC, the base area for the cost of living comparison. The results of this survey will be used to aid in the analysis of the current COLA methodology to determine if changes are warranted. The survey is expected to generate congressional interest, as well as local press coverage in some of the allowance areas.

As part of the required annual review, OPM'S contractor will also be surveying local retail establishments and service providers in Washington, DC, and all of the allowance areas except Alaska.

MEETINGS/EVENTSAccess 2000 Symposium

On October 29, OPM, in conjunction with the Department of Education, the Equal Employment Opportunity Commission, and the President's Committee on Employment of People with Disabilities, will sponsor an Access 2000 symposium at the Washington Marriott Hotel. This major initiative is designed to focus discussion on ways to increase participation of people with disabilities in the mainstream of the Federal workforce, to maintain the Government as a leader in the employment of people with disabilities, and to carry the civil service into the next century as a model for non-Federal employers. Federal and private sector experts will debate issues such as recruiting, hiring, training, and partnerships. A strategic action plan will be developed subsequent to this symposium that will serve as the blueprint for action in setting forth new initiatives.

All Veterans Job Fair

OPM will co-sponsor with the U.S. Departments of Labor, Veterans Affairs and Defense a series of five All Veterans Job Fairs devoted to welcoming home the heroes from Operation Desert Shield/Storm. The kick-off job fair will be September 19 and 20 at the Hyatt Regency in Arlington, Virginia. Successive fairs will be held in Hampton, VA, Friday, November 22; San Antonio, TX, Thursday, December 5; Atlanta, GA, Friday, January 24; and San Diego, CA, Thursday, February 6. Military personnel separating from the service, veterans and their spouses are welcome to attend and take advantage of employer exhibits and career assistance and benefits services.

Health, Science and Technology Job Fair

OPM will sponsor the second of two Health, Science and Technology job fairs at the Washington Convention Center on December 4 and 5 (the first fair targeted specifically for these occupations was held on June 26 and 27). Washington area Federal departments and agency representatives will be on hand to recruit for top quality candidates in the medical and health, engineering, computer and other scientific fields.

AGENCY/BUREAU NEWSLeave Bank for Federal Employee Reservists Returning from the Persian Gulf

Since the last issues assessment report, OPM has been involved in implementing the Governmentwide reservist leave bank program. We extended the open season for contributions of

annual leave to this bank by an extra month to August 10, 1991. As a result of this extension, agencies had until September 7, 1991, to report to OPM the total number of hours donated to the leave bank. We are computing the amount of leave to be received by each eligible recipient, and will report this to the agencies so that the leave can be credited to the annual leave accounts of individual recipients.

COURT DECISIONS/LITIGATION

LITIGATION

(Selected cases with potential impact on policies)

National Treasury Employees Union v. Newman--Special Rates Litigation

In 1962, Congress provided for the payment of special salary rates in certain occupations, such as those in the engineering, medical and clerical fields. For many years this agency passed along to special salary employees the full annual increase granted to General Schedule (GS) employees. In 1982, OPM amended its regulations to stop this practice, determining that a revision in the GS rates would have no effect on special rate schedules. The National Treasury Employees Union (NTEU) filed suit, challenging that new regulation. The lawsuit went from the United States District Court for the District of Columbia to the United States Court of Appeals for the Federal Circuit which ruled in 1989 that OPM's 1982 regulation was invalid. The court of appeals, however, agreed with OPM that the district court erred in requiring the full GS raise to be applied to special rate schedules in all cases. The court of appeals remanded the case to the district court to require appropriate conversion rules to link GS pay increases to special rate pay schedules.

On remand, the district court issued a decision on June 28, 1991, that appears to support OPM's position that the special rates statute did not necessarily require that GS pay increases go to all special salary occupations. The court stated that it is OPM's responsibility to make determinations whether a pay adjustment is required, taking into consideration that special salary rates are based on the pay needed to recruit and retain employees in specific occupations and locations. OPM has drafted regulations to comply with the court's mandate. The regulations, which were reviewed and approved by OMB, will be submitted to the court for its review before publication in the Federal Register for comment.

National Treasury Employees Union v. Newman--Testing Litigation

The United States District Court for the District of Columbia recently held that OPM improperly implemented its new entry level examining program, Administrative Careers With America (ACWA), because it failed to follow rulemaking procedures under the Administrative Procedure Act (APA) in advance of implementing the program. The court stated that ACWA was a "rule" within the meaning of the APA, and that OPM was required to promulgate ACWA under notice and comment rulemaking. The court allowed ACWA to continue to be used to examine applicants for more than 100 white collar entry level jobs. OPM will publish the required notice in the Federal Register, and carefully review any comments submitted. The notice will also seek comments on some technical changes being considered in the existing ACWA program.

Federal Labor Relations Authority v. U.S. Department of the Navy--Home Address Litigation

On August 13, 1991, the U.S. Court of Appeals for the First Circuit, reversing a decision of the Federal Labor Relations Authority (FLRA), held that it is unlawful for Federal agencies to disclose the home addresses of bargaining unit employees merely because the labor organization representing those employees requested it. The court agreed with the Court of Appeals for the District of Columbia Circuit that release was prohibited by the Privacy Act, and that release could not be obtained under the Freedom of Information Act (FOIA). The court ruled that, in weighing the public interest in disclosure of information in the custody of the Government against the privacy interest of the individuals whom the information concerned, it was precluded from taking into account "the special public interest in collective bargaining" asserted by the FLRA.

The court also upheld OPM's interpretation of its routine use, which provides that home addresses may be disclosed to unions only if adequate alternative means of communication with bargaining unit employees do not exist. In this very significant ruling, the court held that OPM's routine use

"is consistent with current law in the private sector while FLRA's position is not. As 'necessity' has always included a consideration of the adequacy of alternatives in the private sector, we certainly cannot say that OPM's similar interpretation of 'necessity' under its ... regulations is unreasonable."

Similar lawsuits are pending in several circuit courts of appeals, which have been made aware of this First Circuit opinion.

Fair Labor Standards Litigation

The Department of Labor has agreed to amend its regulations to clarify the application of a Fair Labor Standards Act (FLSA) exemption criterion which requires employers to establish that their employees meet a "salary basis" test before they can be held exempt from the FLSA. The requirement, which applied to State and local government employees, was creating a problem in that in several pending lawsuits, arguments were being made that the criterion should apply to Federal employees, as well. This test has not been applied to Federal sector FLSA cases by OPM, which has FLSA responsibility for Federal employees. Labor's agreement to clarify the exemption requirement for certain categories of public sector employees will be of great assistance in the litigation of several pending Federal sector FLSA matters.

Post and Johnson v. OPM

Plaintiffs have appealed to the United States Court of Appeals for the Federal Circuit, seeking reversal of the MSPB decision that seasonal employees of the Internal Revenue Service who were employed on a when-actually-employed basis are not eligible to receive retirement service credit for periods when they were not employed.

Timeline
FEHB Task Force

| <u>Date</u> | <u>Event</u> |
|---------------|----------------------------------------------------|
| November 1991 | Presentation of options paper to the Task Force |
| December 1991 | Domestic Policy Council presentation |

**DEVELOPMENT OF PAY-FOR-PERFORMANCE SYSTEMS
FOR THE FEDERAL WORKFORCE**

In early November, the two committees established to make recommendations in this area will complete their deliberations and make their final reports to the OPM Director. Key activities will revolve around continued support of those committees, report production, and report dissemination, prior to further policy development activities to reform Federal pay-for-performance systems.

The Pay-for-Performance Labor-Management Committee, required by the Federal Employees Pay Comparability Act, is composed primarily of agency representatives and Federal employee union officials. The committee has completed its information gathering and is formulating its report to advise the OPM Director on ways to strengthen linkages between pay and performance for the Federal workforce.

The Performance Management and Recognition System (PMRS) Review Committee, statutorily required by the PMRS Amendments of 1991, includes representatives from agencies with PMRS employees and officials from organizations whose membership includes such employees. This committee is considering the same general body of knowledge as the Pay-for-Performance Labor-Management Committee, but with a focus on managerial performance.

**CONTINUING IMPLEMENTATION OF
FEDERAL EMPLOYEES PAY COMPARABILITY ACT (FEPCA)**

OPM completed the initial phase of implementing FEPCA by issuing all required interim regulations by May 4, 1991. The comment period for many of these regulations ended on July 2, 1991. We will review comments and make revisions as needed. We also will continue to issue guidance to agencies through the Federal Personnel Manual on the use of these new authorities.

Additional actions to be taken in the next few months include:

- o Begin monitoring agency use of new authorities and make plans to evaluate the impact of the various features of pay reform on the Government's competitiveness as an employer over time.
- o Support the President's Pay Agent (composed of the Directors of OPM and OMB and the Secretary of Labor) and the Federal Salary Council in defining geographic areas for locality pay purposes and guiding the operation of the new locality-based pay surveys to determine adjustments in white-collar pay scales.
- o Conduct a critical phase of the law enforcement occupational study required by statute. (Section 412 of Title IV of FEPCA--also known as the Federal Law Enforcement Pay Reform Act (FLEPRA)--requires a report to Congress and a legislative proposal to establish a classification and pay system, or systems, for law enforcement officers before January 1, 1993. The report must be submitted to OMB by November 11, 1992.
- o OPM has established the Director's Advisory Committee on Law Enforcement and Protective Occupations which will be composed of representatives from 13 agencies and 12 employee groups. The first meeting of the committee is scheduled for September 17, 1991. For the remainder of this calendar year, the OPM staff task force will continue its studies and provide support to the committee using its analyses of previous studies, current policies and programs, and recent factfinding trips.
- o Implement nationwide special pay rates and geographic differentials in eight cities for law enforcement officers, effective January 1992, as required by FEPCA.
- o Continue our study of health care occupations to assess the need for and develop alternative job evaluation and pay systems that may be more appropriate for them. The study is led by OPM with the assistance of an Interagency Steering Committee and Work Group composed of key personnel representatives from the Department of Veterans Affairs, the Department of Health and

Human Services, the Department of Defense, and the Department of Justice. The factfinding portion of the study will be completed by the end of September or early October after which we will meet with an advisory group composed of representatives of key Federal agencies, unions, and employee organizations to obtain their viewpoints on issues raised during the factfinding portion.

THE UNITED STATES PEACE CORPS

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY OF THE CABINET

FROM: *Lee* LEE RAUDONIS
COMMUNICATIONS DIRECTOR
PEACE CORPS OF THE UNITED STATES

SUBJECT: 1991 Fall Issues Assessment

The following report summarizes key issues and activities at the Peace Corps of the United States for September 15 to December 31, 1991.

I. HIGHEST PRIORITIES -- SUMMARY LISTING

1. Restart Peace Corps program in Philippines and continue rebuilding programs in the evacuated countries of Tunisia, Morocco, Mauritania, Tanzania, Pakistan and Yemen.
2. Facilitate the expansion of Peace Corps' Fellows/USA Program (Returned Volunteers being linked with a consortium of American universities to advance their education in conjunction with work in at-risk situations throughout the country).
3. Continue the expansion of World Wise Schools to include all states in the nation within five years. Link World Wise Schools and Fellows/USA with America 2000 efforts.
4. Continue planning and discussions for new program entries in Laos, Mozambique, Madagascar, China, Argentina and Bangladesh.
5. Develop Peace Corps models that enable Peace Corps to discuss entry with countries such as Mexico and Brazil.
6. Begin very quickly to explore the possibility of establishing programs in the Baltics and Soviet Republics. Have program started in Baltics within next few months.
7. Expand youth programs world-wide, as this is area of concern most often mentioned by international officials.
8. Continue to expand toward the 10,000 Volunteer goal, largely through new country entries, in effort to reach goal by late 1990s.

II. SURVEY OF KEY ISSUES

DIRECTOR'S ACTIVITIES

Help promote smooth transition to new Peace Corps Director.

INITIATIVES AND POLICIES UNDER DEVELOPMENT

1. In concert with others, Peace Corps is exploring different ways volunteers might be received from countries Peace Corps serves to do specialized work in the United States.
2. Peace Corps is developing a capacity for the exchange of information to its widely distributed posts through technology, rather than personal travel.

SIGNIFICANT PROBLEM AREAS

Continued expansion of new accountability systems in order to secure a more efficient management of the agency.

LEGISLATIVE ACTIVITIES

None planned at present.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR EDE HOLIDAY
ASSISTANT TO THE PRESIDENT
AND SECRETARY OF THE CABINET

FROM: PATRICIA SAIKI *PS*
ADMINISTRATOR
U.S. SMALL BUSINESS ADMINISTRATION

SUBJECT: 1991 FALL ISSUES ASSESSMENT

The following report summarizes key issues and activities at the U.S. Small Business Administration from September 15 to December 31 1991.

I. HIGHEST PRIORITIES -- SUMMARY LISTING

- o Finalize Administrator Saiki's strategic plan and policy priorities for the SBA.
- o Prepare for confirmation hearings for Paul Cooksey, nominated by President Bush for the position of Deputy Administrator.
- o Modernization of the automated data processing equipment and supporting software systems to provide cost effective, responsive, and consistent automated capabilities throughout the agency. Exploit technology to improve the overall management and use of agency information.
- o The Investment Advisory Council (Small Business Investment Company program) is being established and will hold its first quarterly meeting on September 18.
- o The first redemption of Specialized Small Business Investment Company 3% preferred stock held by the Small Business Administration will be initiated. This redemption was required by P.L. 101-162 and will present an opportunity for continued capital development within the minority business community.

- o **Implement a metric transition plan which will incorporate the requirements of the Metric Conversion Act, as amended by P.L. 100-418.**
- o **Implement the newly developed National Breakout Procurement Center Representative Team concept to maximize small business opportunities for the contracts related to the F-22 Advanced Tactical Fighter procurement recently awarded by the Air force to the Lockheed Corporation in team with Boeing and General Dynamics, at an estimated cost of \$60-\$109 billion dollars.**
- o **Complete the process of organizing and staffing the Office of the Chief Financial Officer.**
- o **SBA will work with the Department of Education to facilitate the America 2000 initiative.**

II. ADMINISTRATOR'S ACTIVITIES

- o **The Administrator will continue to meet with Cabinet members, members of Congress, and other officials to explore opportunities for joint efforts on behalf of the small business community.**
- o **September 24-27. Administrator Saiki will be attending events celebrating the SBA/Commerce joint-sponsored Minority Enterprise Development Week (MED Week), including a ceremony to recognize MED Week winners in the Rose Garden with President Bush and Secretary Mosbacher. The Administrator will be speaking about opportunities for minority entrepreneurs and how through the America 2000 initiative small businesses can be a vehicle to increase educational opportunities at the kickoff luncheon and congressional reception.**
- o **October 7-11. Administrator Saiki will participate in a fact-finding mission to Brussels. The purpose of the mission is to brief top national trade association executives on the effects of EC '92 on international trade initiatives.**
- o **Administrator Saiki plans to expand SBA's outreach efforts to the trade associations and other organizations crucial to the effectiveness of SBA's programs within the small business community.**
- o **November 17-20. The Administrator will attend the 12th National Legislative Conference on Small Business to be held in Kansas City.**
- o **Administrator Saiki will continue to support the President's National Export Initiative by personally participating in several export seminars conducted by the Department of Commerce.**

III. LEGISLATIVE ISSUES

- o Paul H. Cooksey, recently nominated by President Bush to be SBA's Deputy Administrator, is currently being briefed by senior SBA officials on the Agency's programs. Additionally, Mr. Cooksey is making courtesy calls to senior staff members of the Senate Small Business Committee. His nomination requires Senate confirmation. Administrator Saiki anticipates the White House will soon nominate a candidate for the position of Chief Counsel of Advocacy.**
- o A provision in the Defense Authorization Bill for FY 1992 & 1993 which recently passed in the Senate will adversely affect SBA's Certificate of Competency (COC) program. If enacted, this amendment would reduce Federal contract awards to small businesses by permitting procuring agencies to delay or entirely avoid COC procedures. These procedures now provide a prompt appeal avenue for small businesses to be certified as capable of performing Federal contracts.**

Historically, the COC program has enabled small businesses to win more than 10,000 contracts valued at over \$3.7 billion which they otherwise would not have received, at \$460 million in savings to taxpayers. The proposed amendments would weaken the current COC appeal process that is now available to small businesses and severely reduce their ability to compete for significant Federal procurement. Administrator Saiki is contacting Congressional conferees and Small Business Committee members on this legislation to make them aware of the problem it presents and to urge that this amendment be deleted from the final bill.

- o Early this month the Agency submitted its FY 1993 budget request. In line with the President's firm support of the small business community and SBA, and with an eye toward fiscal restraint and continued deficits, SBA requested \$687 million and 5,378 full-time equivalents (FTE). While this request exceeds OMB's recommended levels, it remains 15.3 percent below the FY 1992 Senate mark for SBA. This budget seeks to balance the President's spending reduction goals with our mandate to make SBA programs more effective and efficient.**

IV. INITIATIVES AND POLICIES UNDER DEVELOPMENT

- o The Office of Advisory Councils will design and launch a new communication project to respond to the needs of national and regional/district advisory councils. Council members and district directors have frequently made the legitimate complaint that there is no system for responding to their respective council recommendations. Our communication project is designed to respond to**

this problem and to develop a better understanding in the private sector about SBA programs and the Administrator's initiatives. The goal is to urge the private sector to promote SBA programs and become better informed advocates of small business.

- o Establishing the Investment Advisory Council will provide a forum to discuss issues that are important to the SBIC Program. The Council will have 17 private sector members representing the SBIC industry, the venture capital profession, the capital markets, small business, and other sectors.
- o Valuation of securities is at the core of assessing the Agency's position as a creditor in the SBIC Program. Revised valuation guidelines are being developed that will be used by SBICs in valuing their loans and investments. Also, regulatory changes will be made regarding accounting policies SBICs are to follow in recognizing realized losses.
- o Implement the monitoring and inspection phase of the Natural Resource Development Program (tree planting grants to states). First-time grants totalling \$14.5 million are now being processed and will require at least one inspection tour per state to evaluate program compliance and performance. This activity will cover Fall 1991 and Spring 1992 planting seasons. Initial grants will expire in September of 1992.
- o The Agency will implement an automated disaster loan control system. This project, national in scope, has been in development for several years. It represents a major advance in management information and decision-making within the disaster assistance program, and should substantially improve program delivery, accuracy and responsiveness in high volume disaster events, e.g., Hurricane Hugo and the Loma Prieta Earthquake.
- o Administrator Saiki has initiated a coordinated national approach to the planning and development of SBA's publications and audio-visual materials. A Publications Review Board, comprised of field and central office staff has assessed information needs among SBA's clients and identified national priorities for publications and audio-visual materials. A master plan for the development of those materials will be produced this fall. This initiative will improve quality, consistency and cost-effectiveness in the Agency's public communications materials.
- o The Chief Financial Officer will continue to develop a basic management information system to be used by senior management to support the Administrator's strategic policy goals. The CFO will also continue to develop a viable, PC-based, management information system to assist line managers track

resource utilization and monitor progress in goal accomplishment.

- o **Metric Transition Training.** Business Development will develop and coordinate with the Office of Advocacy, information seminars on the impact of the Metric Legislation on small business and what small businesses need to do to respond to the metric requirements which apply to Federal government procurement. This training is part of SBA's approved metric plan.
- o **Implement the Indian Employees' Surrogate Support Program (IESSP).** This program is an outreach and recruitment effort dedicated to attracting and retaining Native American employees. The Agency will be assisted in administering this program by Native American organizations whose participation is solely voluntary. These IESSP volunteers will be matched with new SBA Indian employees to assist them in adjusting to their new environment.
- o **Coordination of the Agency-wide and Administration-wide effort to promote a Drug-Free Workplace.** The Office of Advocacy has begun working with SBA offices, the Office of National Drug Control Policy and the Department of Labor on information compilation and dissemination.

V. REGULATIONS

- o Since 1987, the Agency has been prohibited by Congress from expending any appropriated funds to adopt, implement, or enforce any rules or regulations for the Small Business Development Centers Program (SBDC), or to impose any restrictions, conditions or limitations on the program, unless such restrictions, conditions or limitations were in effect on October 1, 1987.

The SBDC Program is currently funded at \$55.75 million. There are 57 Lead-Centers, one or more located in every state, plus the District of Columbia, Puerto Rico and the Virgin Islands, with a network of more than 700 service locations. We have recommended to the House and Senate Small Business Committees that this prohibition be removed and that SBA be authorized to develop rules and regulations.

- o SBA's Office of Advocacy will submit regulatory comments on behalf of small business on the following topics: underground storage tanks, the spotted owl, access fees charged to long distance carriers in the telecommunications industry, and the FCC price cap order.

VI. SIGNIFICANT PROBLEM AREAS

- o SBIC Receiverships and Recoveries: The number of SBIC receiverships is continuing to increase, and we anticipate receiving payouts as SBICs are closed. The Office of General Counsel has had a record year with respect to settlements and judgments. In FY 1991 through July 31, SBA received direct payments on its SBIC liquidations of over \$21 million and recovered approximately \$3.5 million, or an average of \$350,000 per month in its receivership operations. We anticipate at least five new receiverships before calendar year-end with multi-million dollar payovers to SBA. We will continue to pursue appropriate settlements or workout agreements with SBICs as they are liquidated.**
- o Reauthorization of co-sponsorship legislation is a major issue facing the SBA. The authority for SBA to enter co-sponsorships expired on March 31, 1991. SBA's co-sponsorship authority allows the Agency to utilize private sector funds for small business conferences and publications. Co-sponsorships have played a major role in funding SBA's National Small Business Week, export conferences, procurement conferences, legislative conferences and for publication of numerous resource guides for small business owners. Last year, co-sponsoring organizations contributed seven dollars for each one dollar SBA expended for these joint activities.**

VII. REPORTS OR STUDIES

- o The Senate-sponsored Werner/Holloway SBIC report identified a number of issues that must be addressed. Some will result in policy changes and others may result in new statutory proposals. Many of these issues will be coming to fruition during this period.**
- o At SBA's request, the National Academy of Public Administration (NAPA) made a study of the statutorily mandated redemption of the SBIC 3% preferred stock held by SBA. The NAPA report will be used as a basis for implementing a buy back program to be initiated during this period.**
- o Publish an Annual Report to the President and the Congress on the Natural Resources Development (tree planting) Program's accomplishments as required by P.L. 101-515.**
- o The General Accounting Office is conducting a review of federal disaster assistance programs at the request of the Banking, Finance and Urban Affairs Committee of the U.S. House of Representatives. Our Office of Portfolio Management is working with GAO in testing the accuracy of information contained in SBA's disaster assistance database through comparison with**

documents in loan case files maintained by the Agency's field offices. A sampling of up to 400 loans will be used in the study. —

- o Price Waterhouse continues its evaluation of the 7(a) Business Loan program. By the end of September, they will have contacted approximately 2,000 small businesses (half of which received SBA loan guarantees in 1985). Price Waterhouse will analyze the data and prepare the report this fall and we expect delivery of a final report in early winter. This report will be the most comprehensive evaluation to date of the 7(a) program, SBA's largest guaranty loan program.
- o The Administrator's first annual Report on the Minority Small Business and Capital Ownership Development (MSB&COD) Program as required by the Business Opportunity Development Reform Act of 1988 will be forwarded to Congress in the near future. The report will contain a number of recommended statutory changes intended to improve the efficiency of the MSB&COD program.

VIII. MEETINGS OR EVENTS

- o SBA's Office of Economic Development and Rural Affairs is representing the Agency on the Economic Policy Council/Working Group on Rural Development, its Monday Management Group, and various committees of the Group. This includes staff support as monitor for one of the eight state Rural Development Councils for the Presidential Initiative on Rural Development.
- o September 22-28. SBA and the Minority Business Development Agency, U.S. Department of Commerce, will cosponsor Minority Enterprise Development Week. The theme for this year's event is "Building A Stronger America Through Minority Business Development". MED WEEK has been established by Presidential proclamation annually since 1983. This year's MED Week activities will include a Procurement Trade Fair with 209 minority vendor exhibitors. The marketplace provides an opportunity for minority vendors to market with major corporations and Federal agencies. Also scheduled are a Congressional reception, a corporate awards breakfast, a youth awareness day, and an awards banquet. In addition to the national celebration in Washington, DC, many SBA field offices will sponsor local MED Week activities and recognize outstanding individuals and businesses.
- o September 29-October 3. SBA will be represented at the International Small Business Congress (ISBC) Conference in Nashville, TN. Over fifty countries will be sending delegates to the conference.

- o **October 23-25. The National Association of Government Guaranteed Lenders will hold its semi-annual meeting in St. Louis. SBA Financial Assistance Senior officials are expected to participate in various discussions regarding private sector/government finance issues.**

- o **Continue participation and follow-on efforts related to the President's National Export Initiative (NEI) seminars. The Agency will continue its active, high-level support for the remainder of Fall NEI seminars. In addition, SBA's Office of International Trade will continue its follow-on efforts in the form of "next step" workshops for those small businesses that have attended the NEI seminars. We have already completed four of these follow-on events in Atlanta, Boston, Chicago and Portland, focusing on doing business with Pacific Rim nations. SBA will hold a fifth and final Pacific Rim seminar in conjunction with the Department of Commerce in San Diego, CA on October 4.**

- o **October 24-30. SBA and the Food and Dairy Industries Supply Association have signed an agreement to co-sponsor EXPORT EXPO 91. This event will offer U.S. small businesses the chance to exhibit their products and services and to participate in how-to-export workshops. This is a nationally supported event and is being run from the Chicago regional office with strong SBA Central staff support. This is a follow-on event to the successful EXPORT EXPO 90 held in Seattle, Washington in March 1990.**

- o **November 19-20. The Office of Minority Small Business and Capital Ownership Development (MSB&COD) will co-sponsor a series of conferences on an Electronic Communication Interchange (ECI) which will include data relating to procurement opportunities up to \$25,000 available at the Office of Management and Budget, DOD's Defense Logistics Agency, SBA and other Federal agencies. The Aerospace Industries Association (AIA) will co-sponsor the first conference to be held in Dallas, TX.**

- o **November 17-20. The 12th National Legislative Conference on Small Business Issues will be held in Kansas City, MO. SBA's Office of Advocacy anticipates approximately 350-400 attendees, including many state and local officials. Final preparations are being completed for workshop panelists & moderators and related issue papers.**

IX. AGENCY NEWS

- o Southern Bell is planning to use SBA's Procurement Automated Source System (PASS) as its small business database and to tie its 300 buyers into the system by connecting their computer network directly to PASS.**
- o SBA is working closely with DOD and OMB/OFPP to develop an Electronic Commerce capability within the small business community. This will include use of Electronic Data Interchange (EDI) technology to link Federal buyers and suppliers in a paperless process for the procurement of goods and services valued at \$25,000 or less.**
- o SBA will launch the second wave of its public service campaign for nationwide broadcast on radio and television. President Bush will appear in this second spot, which is 30 seconds in length and features another successful small business that was helped by SBA. The PSA will be distributed to 600 television and 1700 radio stations in late October-early November.**

X. OTHER

- o Business Development is working on Memoranda of Understanding with the Department of Housing and Urban Development (HUD), DOT's Urban Mass Transit Administration (UMTA), the Environmental Protection Agency (EPA) and General Services Administration (GSA). These MOUs are part of the President's Economic Empowerment Initiative and focus on integration of services across Federal agencies. The MOU's would be co-signed by Administrator Saiki and (respectively) the Secretaries of HUD and DOT, and the EPA and GSA Administrators.**



Washington, D.C. 20547

September 9, 1991

MEMORANDUM FOR: Ms. Ede Holiday
Assistant to the President
and Secretary of the Cabinet
The White House

FROM: Henry E. Catto *HEC*
Director

SUBJECT: 1991 Fall Issues Assessment

The following report summarizes key issues and activities at the United States Information Agency (USIA) for September 15 to December 31, 1991.

I. HIGHEST PRIORITIES -- SUMMARY LISTING

1. Agency-wide efforts in support of U.S. policy toward the USSR in response to recent developments.
2. Support for the Mid-East peace process and U.S. policy in the Gulf.
3. Expanded focus on democracy building, the promotion of market economies and human rights worldwide, particularly in the USSR, Eastern Europe and Africa.
4. Support for U.S. economic and trade policies, particularly U.S. objectives in the Uruguay Round and the North American Free Trade Agreement.
5. USIA and the President's Task Force on International Broadcasting
6. International cooperation in anti-drug efforts.
7. The President's East Asia Trip.
8. Support for U.S. environmental policies.
9. Seville Expo 92/Genoa Expo 92.

II. SURVEY OF KEY ISSUES

The following survey, while not inclusive, outlines USIA programs and activities which will respond to the issues of highest priority.

U.S. POLICY TOWARD EVENTS IN THE USSR

The revolutionary events in the Soviet Union in the aftermath of the failed coup attempt have potentially enormous significance for USIA programs. An Agency Task Force is being formed, under the chairmanship of the European Office, to review their implications. For the moment, we have not yet decided what changes would be appropriate in Agency policies or programs in the USSR or in the constituent republics.

USIS Moscow reports that many Soviet contacts with whom we have worked to build and maintain bilateral programs are out of touch, given the state of flux in ministries and other Soviet institutions. It will take time to determine who we are able to deal with before we decide how to proceed. So far, no long-term USIA projects have been directly affected, although travel by some officials and exchange grantees has been delayed. Deputy Director Kopp will deliver a major address to the CSCE meeting in Moscow on September 20.

Programs which could be affected include the cultural, educational and citizen exchanges with the USSR which have expanded dramatically in the last few years, in addition to dozens of Sister City and direct university linkages now in effect or planned. The Fulbright university lecturer exchange has also grown considerably, as has the number of Soviet participants in USIA's International Visitor Programs. Hundreds of secondary school students, undergraduates and other youths travel each way under the Samantha Smith Memorial Youth Exchange Program, administered by USIA. Also in question are current contracts with Soviet publishers for the translation and publication of key works of U.S. political and social thought, as well as planned seminars with Soviet institutions on such topics as the political process, rule of law, broadcasting and business management.

We are hopeful that the new developments will bring even greater programming opportunities. Plans to open an American cultural center in Moscow, now held up by Congress, could be the beneficiary of improved U.S.-Soviet relations. In the Baltics, USIA has ongoing exchanges and information programs and plans to open new posts in each of these countries. A Branch PAO is en route to the Ukrainian capital of Kiev to establish a USIS post in the new Consulate General there. We will be developing contingency plans for expanded outreach in the other republics as well, consistent with evolving USG policy.

MIDDLE EAST PEACE PROCESS AND U.S. POLICY IN THE GULF

USIA has established a post-Gulf War task force that deals with Iraqi disinformation and non-compliance with U.N. resolutions, as well as misperceptions that arise concerning the U.S. role in the region. USIA officers regularly contribute to inter-agency meetings on the Gulf and other parts of the region to coordinate support for USG policy goals in the post-war period.

The Voice of America is exploring options for continuing on a permanent basis the widely followed medium-wave broadcasts to the countries of the Gulf. These broadcasts were started during the crisis months prior to the Gulf War. The Voice will continue its extensive coverage of Mid-East developments and maintain its editorial focus on the area.

USIS Kuwait is back in full operation with two USIA Foreign Service Officers resident. In addition to facilitating a continued flow of foreign journalists, they have launched a series of programs that will reinforce the U.S. commitment to democratic pluralism and the re-establishment of a free market economy while helping to rebuild Kuwait's war-crippled educational and media institutions.

USIA will also carefully monitor the situation in Soviet Central Asia, where Islamic-majority republics may begin to play an independent role in world and regional affairs.

This fall, all Agency programming and media elements will be mobilized to support the Administration's initiative for a Mid-East peace conference.

DEMOCRACY BUILDING, HUMAN RIGHTS AND THE PROMOTION OF
FREE MARKET ECONOMIES

During the coming months, USIA initiatives in democracy building and the promotion of market economies will focus primarily on Central and Eastern Europe, the Soviet Union and Africa. With respect to human rights, our main focus will be on the Moscow CSCE Conference on the Human Dimension (September 10-October 4). While no other major conferences or events are scheduled before the end of the year, we will take advantage of targets of opportunity whenever they occur.

Central and Eastern Europe

Through the European Area Office, USIA focuses on programs to strengthen democratic institutions in Central and Eastern Europe. FY 91 programs include: 1) Management Training and Market Economics Education; 2) English Teaching; 3) Citizens' Networking; 4) Educational Reform; 5) Books for Democracy; 6) Independent Media Training; 7) Rule of Law; 8) Parliamentary Training.

Fall academic programs include lecturers in market economics, curriculum reform and media; fellowships for Central and East European young professional and academics in management and media; placement of English Teaching Fellows in teacher training institutes; grants to U.S. universities and educational institutions to carry out programs in economics, business and civic education; placement of Library Fellows at local libraries and institutes. In addition, major seminars and workshops in rule of law and media are underway and several tons of books, periodicals and library materials will be distributed to key institutions in the region.

The Soviet Union

Events in the Soviet Union are moving much too rapidly to provide definitive proposals at this point. However, it is clear that the economic and political structures which ultimately emerge will face formidable problems in making the transition from the current system to any new system. Accordingly, the problems of transition will be a major focus of USIA efforts.

While programs to assist those currently charged with governmental responsibilities will proceed, USIA will also consider focusing its efforts on a slightly younger generation. For example, programs should address the creation of law school curricula and training for young lawyers, or the creation of economic and business school programs. Moreover, the Agency will be examining possible support to emerging political parties, through the organization of seminars on the rule of law as well as more pragmatic programs in the organization of campaigns, responsibilities of office holders, constituent relations, and intergovernmental processes.

Africa

With funding provided by AID, USIA is embarking on two initiatives to promote long-term prospects for democratic society in South Africa and Nigeria during 1991 and 1992. In South Africa, one million dollars will be used for programs on conflict resolution and negotiation for new actors in an open political process. The inter-Agency transfer will provide practical "hands-on" experience, information, techniques and skills needed by participants, particularly from disenfranchised communities, in the discussions on the new constitution, preparations for multi-party negotiations and the negotiations themselves. In Nigeria, a three million dollar "Democracy Initiative" will fund linkages between Nigerian civic organizations and their American counterparts in the fields of law, business, public policy, journalism, and political participation.

ECONOMIC AND TRADE POLICIES

Successful completion of the Uruguay Round of multilateral trade negotiations is the number one trade priority of the Administration. Since the beginning of the Round in 1986, USIA has devoted considerable resources to inform and persuade foreign publics of the benefits of trade liberalization. Most recently, during the period between extension of the fast track legislation and the London Summit (May 31 - July 15), USIA did extensive programming on the Uruguay Round including Worldnets. Foreign Press Center briefings and Wireless File and VOA interviews with USTR Hills, other senior USTR officials and Agriculture Secretary Madigan. The negotiations are slated to resume in earnest in mid-September at which time USIA will again resume high profile programming.

Working in close cooperation with USTR, USIA has developed a public affairs action plan, in support of USG objectives for the Uruguay Round. This includes: 1) targetting key countries on specific trade issues; 2) extensive programming of key USTR and Agriculture Department officials as well as business, academic and other private sector figures; 3) continued Agency coverage of important events, press conferences, statements, interviews, etc. by USTR/USDA spokespersons; and 4) periodic issuance of public affairs guidances and issues analyses.

On June 12, the United States began negotiations with Mexico and Canada toward a North American Free Trade Agreement (NAFTA). The rest of Latin America is watching NAFTA closely as a "test case" of how a free trade agreement will function, and several nations have called on the U.S. to begin parallel negotiations.

USIA's principal audience for NAFTA is in Mexico, where free trade and investment engenders questioning, fears and nationalist sentiment. USIS Mexico has made NAFTA a top public affairs priority, making use of regular conferences, speakers and educational travel projects to boost understanding of the benefits of free trade and of implications for environmental, energy and other policies.

U.S. Trade Representative Carla Hills addressed groups in Mexico and Canada via Worldnet, and other USTR officials have appeared frequently under USIA auspices. The Wireless File will continue to carry speeches, byliners and fact sheets on NAFTA and related trade subjects. VOA's extensive coverage of NAFTA and editorials explaining USG policy will also continue. Worldnets, Foreign Press Center briefings, Amparts and other programming will be scheduled as appropriate.

USIA AND THE PRESIDENT'S TASK FORCE ON INTERNATIONAL BROADCASTING

Last year the USG undertook a study of all USG international broadcasting in recognition of the decline of the cold war and innovations in broadcasting technology. An initial NSC directive recommended the creation of two bodies to review USG broadcasting and set guidelines for their review. The first, a policy coordinating committee, was created under the State Department to conduct a strategic review of broadcasting priorities. A bipartisan task force was also established under John Hughes to make recommendations within six months to the President on consolidating USG broadcasting, use of new technologies and cooperation with private sector broadcasters. Task force recommendations are due in November.

USIA has been actively involved from the beginning in this study of broadcasting, as a member of the Policy Coordinating Committee reviewing USIA and BIB broadcasting and collaborating with the task force throughout its review.

SUPPORT FOR INTERNATIONAL ANTI-DRUG EFFORTS

USIA will continue to take the lead in providing information to overseas audiences as called for in the international National Drug Control Strategy. Our emphasis will be on U.S. willingness to share our anti-drug expertise with other nations. We also will demonstrate the progress we are making in reducing domestic drug abuse and the international threat posed by the drug trade.

The Agency will begin to focus more attention on the long-range social, environmental and economic damage caused by cocaine production and trafficking, as well as intensify programming on money laundering.

Our USIA activities will continue to be directed at the producing countries as well as the potential source and transit countries in Latin America, Europe and Asia. In particular, the Agency will increase programming to Latin American countries most at risk, such as Brazil, Argentina and Venezuela. We also will expand our activities in Europe to bolster public awareness of the continuing danger of heroin and the growing threat of cocaine. Since the disintegration of the Soviet empire may result in new opportunities for international drug traffickers, we will try to increase our activities there too.

USIA's office of research will continue to conduct attitudinal surveys in key countries to aid in the development and implementation of effective anti-drug strategies. The Agency Drug Unit will continue its primary effort in the Andean nations to help build the political will necessary to fight the powerful drug cartels.

Given the expected lengthy trial on drug trafficking ex-Panamanian dictator Manuel Noriega, the Policy Guidance Staff, working with AR, will provide guidance to posts on developments. The U.S. Department of Justice wants to limit comments as much as possible. The International Narcotics Information Network (ININ) will be improved, making it a primary source of worldwide information.

Other activities include the continuation of the VOA Drug Workshop, participation in the September Montreal World Drug Conference, a series of publications and videos on various drug topics, and plans for a European conference.

THE PRESIDENT'S EAST ASIA TRIP

Events in the Soviet Union, continued tension with China over human rights, still-unresolved (though diminished) trade problems with Japan and Australia, the North-South Korea impasse and the prospect of restored relations with Vietnam and Cambodia will be issues the President will undoubtedly deal with during his visits late this fall to Japan, Korea, Australia and possibly one Southeast Asian country. His Pacific journey will end at Pearl Harbor, 50 years after Japan's attack.

A major theme of the trip will be strengthening the U.S.-Japan relationship, and repairing public attitudes in each country toward the other.

The nations of East Asia want the U.S. security shield to remain in the region; but at the same time, they are concerned that a "unipolar world" could mean "Pax Americana" at a time when these same nations are becoming significant economic successes and are gaining national self-confidence.

The challenge will be to adapt existing security arrangements in the Pacific to reflect remaining U.S. security interests and the need for continued support from countries that now are feeling their oats and are focusing more on trade and development than on security threats from any quarter.

USIA field programs and media will be giving top priority this fall and beyond to reporting changing Asian attitudes and fashioning programs and media messages that clarify the new role the U.S. is preparing to play in the Pacific, as it is articulated by the President.

THE ENVIRONMENT

While the oil spill into the Gulf has not resulted in as much environmental damage as predicted earlier in the year, the fragile state of the ecology and threat to environment from both deliberate and unintentional human sources still remains. The U.S. is a world leader in environmental protection. Yet, our environmental track record continues not to be well understood abroad and deserves greater public emphasis.

USIA programs to counter this anomaly include:

Mid-November: USIA's exhibit, "Environmental Action in America," moves to Sofia, Bulgaria. The exhibit depicts American efforts to deal with air, land and water pollution, and the interrelated issues of economic vitality and environmental protection. This second stop in Eastern Europe is made possible with the cooperation and financial support of the Environmental Protection Agency.

November 19-21: There will be a conference, "Building a Shared Vision for Environmental Education," sponsored by EPA in cooperation with the Federal Task Force on Environmental Education. USIA is working with the Conference organizers to assure that international environmental education concerns are addressed and that the substance of the Conference proceedings are disseminated abroad.

USIA has assigned a senior Foreign Service Officer to be public affairs advisor to the U.S. Delegation for the United Nations Conference on Environment and Development (UNCED) scheduled for June 1992. It has also established an UNCED Task Force to mobilize all USIA elements in support of the Administration's environmental policies.

The 1991 London G-7 Summit pledges concerning environmental issues (many of which are focused around UNCED) will be reflected in Agency program and media activity during the coming months.

SEVILLE EXPO 92/GENOA EXPO 92

USIA is developing the American presence at two major international expositions marking the Columbus Quincentennial. Both involve securing private sector matching funds to implement U.S. government funding.

At the Seville Universal Exposition, which runs from April 20 to October 12, 1992, USIA is constructing a 40,000 sq. ft. pavilion that will house exhibits, a 70 mm film, performing arts stage and concessions. The featured exhibit of the Bill of Rights is part of USIA's expanded focus on democracy building and human rights. The 13 million dollar federal allocation has been matched as of August 31, 1991 by three million in cash and over 20 million in kind.

At the Genoa Expo, which runs from May 15 to August 15, USIA is presenting a 5,000 sq. ft. exhibit on the maritime cultures of the Chesapeake Bay. This exhibit will provide support for U.S. environmental policies. A federal allocation of 1.5 million dollars has been matched to date by private sector support of over 1 million in cash and in kind.

DIRECTOR'S ACTIVITIES

Ambassador Catto will be traveling to Asia and to Europe this fall, as well as addressing several important fora.

The Ambassador will travel to Japan, Hong Kong, Thailand, Singapore and Malaysia from September 22 to October 8. He will visit Germany, Hungary and Czechoslovakia October 21-November 1.

Among the confirmed speeches the Director will deliver this fall are the Hans Wallenberg Lecture on October 24 at the Aspen Institute in Berlin and the Iden Lecture at the Georgetown School of the Foreign Service on November 15.