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Budget and Deficit Reductions

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JUN 24 1993

TO: David Dreyer
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George Sot Phanopoulos
Eric Berman
Alexis Herman

fr: Barbara
Chow

Pages 3

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Dole Substitute

o Proposes at least \$100 billion less in deficit reduction than the Democratic bill.

o Achieves additional reductions entirely through spending cuts; shifting the burden from wealthy taxpayers to middle class and elderly. Cancels the increase in the Earned Income Tax Credit, thereby increasing taxes for the working poor while protecting high income Americans from any increased taxes.

o Black box, budget process amendment only. Does not propose one single specific spending cut. The only specific spending cuts in the Dole package are those already identified in the Senate bill.

o Entitlement cap spending cuts are in addition to the \$75 billion in Medicare/Medicaid cuts already included in the Senate Finance bill. \$30 billion in additional Medicare cuts, \$20 billion in Medicaid most of which will be borne by elderly beneficiaries and hard pressed state budgets. Endangers prospects for health care.

o More than half of the savings (\$200 billion) are from appropriation cuts which will come in later years and from debt service and debt management--exactly the areas Senator Dole has constantly criticized the Democratic plan from counting as spending savings.

o Does not contain important tax incentives to create jobs, promote economic growth, and educate workers. For example, the Finance Committee plan provides new tax incentives for small businesses to grow and invest. Under the Finance plan, the luxury tax would be repealed and business would be provided relief under the alternative minimum tax.

SENATE REPUBLICAN ALTERNATIVE

(\$ billions)

	1994	1995	1996	1997	1998	Total 1994-98
CBO Capped Baseline						
Deficit	286.7	284.4	290.0	321.7	359.7	
Discretionary:						
Defense (Clinton)	4.1	4.8	-10.0	-33.6	-37.5	-72.2
International (Freeze)	-0.4	-0.8	-1.4	-1.9	-2.5	-7.0
Domestic (Freeze)	-3.8	-10.2	-16.8	-23.5	-30.6	-84.9
Subtotal	-0.1	-6.2	-28.2	-59.0	-70.6	-164.1
Mandatory:						
Gross spending reductions						
in reconciliation	-8.5	-13.7	-24.8	-31.3	-37.6	-115.9
Entitlement cap	--	--	--	-13.9	-35.4	-49.3
Subtotal	-8.5	-13.7	-24.8	-45.2	-73.0	-165.2
Total spending	-8.6	-19.9	-53.0	-104.2	-143.6	-329.3
Debt management a/	-0.5	-1.0	-1.3	-1.6	-2.0	-6.4
Debt service	-0.3	-1.2	-3.6	-8.7	-17.0	-30.8
Grand Total	-9.4	-22.1	-57.9	-114.5	-162.6	-366.5
Plan Deficit	277.1	262.5	232.3	207.1	197.3	

NOTE: Details may not add to totals due to rounding.

a/ CBO reestimate of Treasury proposal (May 1993).

Prepared 06/23/93 10:07 AM

CALLS TO BE MADE BY MACK MCLARTY

1. Mr. James R. Jones
Chairman
American Stock Exchange
86 Trinity Place
New York, NY 10006-1881
Phone(o): 212-306-1104
Fax: 212-306-1152
POTUS MTG: 5/12/93

2. Mr. John Scully
Chairman & CEO
Apple Computer
20525 Mariani Avenue
MS-38A
Cupertino, CA 95014
Phone(o): 408-996-1010
Fax: 408-862-5194
POTUS MTG: 5/12/93

*AHH
for
distribution*

3. Mr. Steve Wolf
Chairman & CEO
United Airlines
P.O Box 66100
Chicago, IL 60666
Phone(o): 708-952-5489
Fax: 708-952-7437
POTUS MTG: 5/19/93

4. Mr. Warren Buffett
CEO
Berkshire-Hathaway
1440 Kiewit Plaza
Omaha, NE 68131
Phone(o): 402-346-1400
Fax:
POTUS MTG: 6/16/93

5. Mr. Lodwick M. Cook
Chairman & CEO
ARCO
515 South Flower Street
Los Angeles, CA 90071
Phone (o): 213-486-2533
Fax: 213-486-2063
POTUS MTG: 6/16/93

6. Mr. Gary Drummond
Chairman & CEO
Drummond Company
530 Beacon Parkway
Suite 900
Birmingham, AL 35209-3196
Phone(o): 205-387-0501
Fax: 205-945-6521
POTUS MTG: 6/16/93

CALLS TO BE MADE BY ROGER ALTMAN

1. Mr. C. Michael Armstrong
Chairman & CEO
Hughes Aircraft Company
Building C1, Mail Station A111
P.O Box 80028
Los Angeles, CA 90080-0028
Phone(o): 703-284-4230
Fax: 703-525-7738
POTUS MTG: 5/19/93
2. Mr. Robert L. Crandall
Chairman, President & CEO
American Airlines
P.O. Box 619616
Mail Drop 5623
DFW Airport, TX 75261-9616
Phone(o): 817-967-2755
Fax: 817-967-2755
Fax: 817-967-2752
POTUS MTG: 5/26/93
3. Mr. Andrew Singer
Chairman & CEO
Champion International Corporation
One Champion Plaza
Stamford, CT 06921
Phone(o): 203-358-7324
Fax: 203-358-6562
POTUS MTG: 5/26/93
4. Mr. Curtis H. Barnette
Chairman & CEO
Bethlehem Steel Corporation
1170 Eighth Avenue
Bethlehem, PA 18016-7699
Phone(o): 215-694-5796
Fax: 215-694-3686
POTUS MTG: 6/2/93
5. Mr. M. Anthony Burns
Chairman, President & CEO
Ryder Systems, Inc.
3600 NW 82nd avenue
Miami, FL 33166
Phone(o): 305-593-3496
Fax: 305-593-4196
POTUS MTG: 6/2/93

6. Mr. George W. Mead
Chairman of the Board & CEO
Consolidated Paper
231 First Avenue North
PO Box 8050
Wisconsin Rapids, WI 54495
Phone(o): 715-422-3111
Fax: 715-422-3203
POTUS MTG: 6/2/93

7. Mr. Paul Allaire
Chairman & CEO
Xerox Corporation
P.O Box 1600
Stamford, CT 06904
Phone(o): 203-968-4515
Fax: 203-329-1193
POTUS MTG: 6/16/93

8. Mr. Walter Elisha
CEO
Spring Industries, Inc.
P.O Box 70
Fort Mill, SC 29716
Phone(o): 803-547-3780
Fax: 803-547-3786
POTUS MTG: 6/16/93

CALLS TO BE MADE BY BOB RUBIN

1. Mr. Lawrence A. Bossidy
Chairman & CEO
Allied Signal, Inc.
101 Columbia Road
Morristown, NJ 07962
Phone(o): 201-455-2000
Fax: 201-455-4000
POTUS MTG: 5/12/93
2. Mr. Joseph T. Gorman
Chairman & CEO
TWR Inc.
1900 Richmond Road
Cleveland, OH 44124-3760
Phone(o): 216-291-7108
Fax: 216-291-7115
POTUS MTG: 5/12/93
3. Mr. John H. Bryan, Jr.
Chairman
Sara Lee Corporation
3 First National Plaza
Chicago, IL 60602-4260
Phone(o): 312-558-8501
Fax: 312-558-4913
POTUS MTG: 5/19/93
4. Mr. Robert J. Eaton
Chairman & CEO
Chrysler Corporation
12000 Chrysler Drive
Highland Park, MI 48288
Phone(o): 313-956-6728
Fax: 313-956-5143
POTUS MTG: 5/19/93
5. Mr. Harold "Red" Poling
Chairman & CEO
Ford Motor Company
The American Road
Dearborn, MI 48121
Phone(o): 313-322-7800
Fax: 313-845-3117
POTUS MTG: 5/19/93

6. Mr. John F. Smith Jr.
Chairman & CEO
General Motors Corporation
General Motors Building
3044 West Grand Boulevard
Detroit, MI 48202
Phone(o): 313-556-5000
Fax: 313-556-1988
POTUS MTG: 5/26/93

7. Mr. John Welch, Jr.
CEO
General Electric
3135 Easton Turnpike Building, E2E
Fairfield, CT 06431
Phone(o): 203-373-2971
Fax: 203-373-2140
POTUS MTG: 5/26/93

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Chairman & CEO
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MS-38A
Cupertino, CA 95014
Phone(o): 408-996-1010
Fax: 408-862-5194
POTUS MTG: 5/12/93

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Chairman & CEO
United Airlines
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Chicago, IL 60666
Phone(o): 708-952-5489
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Amy
Recon
RUBIN

(AMH)

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REPUBLICAN BUDGET SUBSTITUTE

JUN 24 1993

INCREASING THE PUBLIC DEBT:

o The Republican substitute fails to meet a key principle set forth by the President: \$500 billion in deficit reduction over five years. Instead, the Republican substitute proposes to reduce deficits by only \$411 billion over the next five years compared to \$516 billion for the Democratic plan. The Public Debt would be more than \$100 billion higher by FY 1998 with the Republican substitute. More Federal borrowing means higher interest rates, which hurts job growth.

LACK OF FAIRNESS: PROTECTING THE WEALTHY AT THE EXPENSE OF WORKING FAMILIES

o By eliminating taxes on the wealthy and replacing them with additional cuts in programs assisting the elderly and the middle class the Republican proposal displays a basic lack of fairness. The additional entitlement reductions place the burden of deficit reduction on the elderly, veterans, farmers, and students. 89% of the taxes in the Senate Democratic bill will come from people with incomes of over \$140,000. 79% of the revenues come from people making over \$200,000 a year. The Republicans are attempting to protect well-off Americans at the expense of working families.

CUTS IN BASIC GOVERNMENT SERVICES

o The additional \$100 billion five year domestic discretionary cuts are so drastic that basic government services - air traffic control, border patrol, health research, veterans health, the FBI, anti-drug enforcement, food safety and inspection, and child care - will be threatened. Cuts of up to 10% across-the-board in all Federal discretionary programs will be necessary to achieve the \$100 billion cut in non-defense discretionary spending.

JEOPARDIZING INVESTMENTS IN JOBS AND GROWTH

o The five year cut in domestic discretionary spending proposed by the Republican budget also threatens basic investments in economic growth and jobs preserved in the Democratic budget through funding of education, transportation, job training, infrastructure, the environment, health, and research and development.

o The following investments are included in the Democratic reconciliation bill and eliminated in the Republican substitute: expansions in the earned income tax credit targeted at working families, immunizations for low-income children, incentives for small business investment, real estate incentives, extension of the research and development tax credit, and extension of the low-income housing tax credit.

ENTITLEMENT CAP: A GIMMICK TO DODGE RESPONSIBILITY

o An entitlement cap is simply an attempt to dodge the tough choices. Caps deliver no real spending cuts - after months of demanding more spending cuts the Republican alternative does not include one new specific spending cut. Democrats, through the work of 12 Senate Committees, have made the tough, specific choices on spending cuts in veterans programs, farm programs, retirement programs, Medicare and Medicaid. The Republicans have failed the most basic test of budget credibility.

THE REPUBLICAN ENTITLEMENT CAP WOULD CUT DEEPLY INTO HEALTH ENTITLEMENT PROGRAMS

o While they are unwilling to be specific about the cuts, the cap, essentially designed by Dick Darman, would cut an additional \$50 billion from entitlement programs, primarily from Medicare and Medicaid. This will include cost-shifting to the private sector, driving up costs to employers and to individuals which could, in turn, swell the ranks of the uninsured.

COMPARISON OF REPUBLICAN SUBSTITUTE AND SENATE DEMOCRATIC PACKAGE

(5-Yrs in billions of dollars)

	REPUBLICAN	DEMOCRATIC
Discretionary		
Defense	-108	-111
Non-Defense Discretionary	-92	+9
Entitlements		
Specific cuts and user fees	-116	-116
Entitlement cap	-50	-
Investments	-	+17
Interest	-45	-66
Total Spending cuts	-411	-267
Revenues	-	-249
Total Deficit Reduction	-411	-516

THE WEXLER GROUP

1317 F Street, N.W.

Suite 600

Washington D.C. 20004

202-638-2121

202-638-7045 Telecopy

JUN 25 1993

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NAME:

Alfred Herman FAX NUMBER 456-2983

FROM:

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To: Alexis Herman

From: Anne Wexler

May 31, 1993

RECONCILIATION

To provide maximum public support for reconciliation in the Senate a task force including all the players mentioned below should be formed immediately to develop a strategy and a coordinated operational plan to accomplish the goal. The key players are obviously the Office of Congressional Relations which must identify the targets and give guidance on how their needs must be addressed. Once determined, it is the responsibility of the offices mentioned below to take assignments, coordinate their activities to create and deliver public support. This cannot be accomplished successfully without all offices working together. The office of the Chief of Staff should determine who should run the task force.

THE PLAYERS

Office of Congressional Relations
Office of Public Liaison
Office of Intergovernmental Relations
Office of Political Liaison
Cabinet Secretary
Office of Media Relations
Office of Domestic Policy Advisor
Treasury
The Democratic National Committee

OFFICE OF CONGRESSIONAL RELATIONS

OCR is responsible for providing the list of targets to be addressed by the group. The object is to provide the White House lobbyists with visible manifestations of public support for the issue within the states of the target Senators. Once the target list is established, the other offices will coordinate their activities to create various methods of communication with target Senators. Each activity and its result can be reported on and reviewed on a

daily basis. It is the responsibility of the OCR to inform each Senator and the leadership of the activity being undertaken by the White House and the DNC and to ask for suggestions of people to contact, publications that may be receptive, leaders to be invited to the White House and otherwise contacted. The White House lobbyists decide who contacts Senators and what levels of outside support are appropriate.

OFFICE OF PUBLIC LIAISON

The Office of Public Liaison is responsible for identifying, contacting, briefing and organizing constituent groups to provide public support for reconciliation both in Washington and outside the Beltway. OPL is responsible for building and maintaining the coalition to support reconciliation and for working with the DNC to organize its members to provide public backup to the White House lobbyists through lobbying and other member contacts (letters, phone calls, faxes, visits, etc) This is accomplished by contact, followup briefings, materials, talking points, continuous care and feeding of constituent groups who are in the coalition. OPL should consider inviting supportive, undecided and leaning constituent leaders and special media from target states to the White House for briefings with the President and Cabinet members heavily covered by local press. This saves the President from additional out of town travel and is always warmly received by those invited, including out of town press. This must be planned in advance to give people time to adjust their schedules. Those functions which are considered direct lobbying rather than education and organization are conducted by the DNC in constant coordination with the OPL. The principal function of the OPL is organization of the coalition, extension of its activities to the target states and followup. Each unit of the task force should contribute to identifying potential members of the coalition, as can Senate supporters through their direct contacts with OCR. The coalition can be invited to the White House to be briefed and publicly express their support to the President while the DNC can organize its members both inside and outside Washington. The OPL is responsible for working directly with the policy staff and the Treasury to provide the proper materials for the various constituent groups which can then be distributed by OPL.

OFFICE OF INTERGOVERNMENTAL RELATIONS

OGR is responsible for educating and organizing the support of Governors, Mayors and other public officials for the policies and working with the media relations operations, the policy staff (for materials) and the DNC, for being sure that those targeted public officials express their support for the President. This

involves constant communication and attention as the policy evolves and changes through negotiation and floor action. This constituency needs much personal attention.

OFFICE OF POLITICAL LIAISON

This office is responsible for working with the DNC and special allies of the President to provide visible public support for the targeted Senators. The political office plays an important role in the development of the strategic plan by providing feedback on the political consequences of the decisions made in the negotiations.

THE CABINET SECRETARY

The Cabinet Secretary is responsible for organizing the Cabinet to support reconciliation much in the same way it was done in the House.

OFFICE OF MEDIA RELATIONS

The office of media relations is responsible for working with the target list to provide local media coverage and support for the package in the target states. This includes editorial boards for cabinet members (by phone or in person) satellite interviews with the relevant cabinet secretaries, the vice president or the President, inviting local media to the White House for special briefings or to cover briefings organized by OPL for targeted out of town constituents or interest groups. The first task of OMR is to work with the group to strategize on how to get the most favorable media in specific target areas.

OFFICE OF THE DOMESTIC POLICY ADVISER AND TREASURY

These offices must be responsible for providing the material necessary to the Task Force tailored to constituent groups, media and public officials. They must be at the table to be able to adjust the materials as the strategy shifts and the negotiations proceed and change the shape of the legislation.

THE DEMOCRATIC NATIONAL COMMITTEE

The DNC has the tools through its desk system and media desk system to carry out the organizing and lobbying functions that are not permitted at the White House. They are an integral part of the implementation of any strategy and are organized

(with total coordination) to carry it out. This includes meetings with Washington lobbyists who are willing to help, dissemination of assignments and talking points, feedback to the task force and coordination with the White House lobbyists .

The Impact of Tax Rate Changes in Administration's Budget Plan on "Small" Businesses

Some have argued that the Administration's proposal to increase marginal tax rates for the top 1.2 percent of U.S. taxpayers would have an adverse impact on "small" businesses, including businesses organized as S corporations, partnerships or sole proprietorships. It is also argued that the rate increases, which apply only to married couples with taxable income (income after all expenses) above \$140,000, would result in job losses because of the alleged impact of the change on small businesses. These allegations are false. Here are the facts:

- First, the Administration's proposed top marginal rates are modest by historical standards. A 36 percent marginal rate would apply to taxable income over \$140,000 for joint returns (\$115,000 for single filers), and a 10 percent surtax would apply to taxable income over \$250,000. The U.S. economy has enjoyed healthy growth when marginal tax rates were far higher than these levels. For example, in the 1960s, average annual (real) GDP growth was 4.1 percent, although the top marginal income tax rate averaged 78.7 percent for the decade. (By comparison, average annual GDP growth in the 1980s was 2.5 percent when the top marginal rate averaged 48.1 percent.) In addition, it is interesting to note that, as part of its 1985 Tax Reform proposals, the Reagan Administration proposed a top marginal rate of 35 percent at \$70,000 for joint returns (\$42,000 for single individuals). These rates would have applied to income from S corporations, partnerships, etc., as well as income from other sources.
- The argument that higher marginal rates on S corporations, partnerships, and sole proprietorships will reduce employment (or investment) by these businesses doesn't make sense. The higher marginal rates in the Administration's plan apply only to income after expenses, i.e., after deductions for wages and depreciation, for example. Thus, any amounts paid out to the employees of these businesses are deductible and thus are not subject to the higher rates.
- It is extremely misleading to imply that any income earned by an S corporation, partnership, or sole proprietorship is earned by a "small" business. For example, in 1990, nearly 50 S corporations had gross receipts over \$500 million. Shareholders in these S corporations earned an average of \$2.5 million from these businesses. By definition, only S corporation shareholders, partners, and sole proprietors with net income (profits) over \$140,000 would face higher marginal rates, and then only, of course, for the income above the threshold.
- In any event, only a small percentage of taxpayers with active business income greater than their wages — the true business owners (as opposed to investors in tax shelters, for example) — would face higher rates on any of their income. Of the nearly 7 million taxpayers with business income in excess of their wages, only 4.2 percent, or about 300,000, would be subject to the higher marginal rates. While this is higher than the percentage for all taxpayers, this is because taxpayers with income from S corporations, etc., are likely to have high incomes. For example, in 1990, over 80 percent of all S corporation income was

earned by taxpayers whose AGI exceeded \$100,000, and 43 percent of S corporation income was earned by taxpayers with AGI over \$1 million.

- Finally, it would be inaccurate to assume even that the 4 percent figure cited above represents the kinds of examples cited as "small business" owners, such as the hardware store owner or corner grocer. Many S corporations, shareholders, partners, partnerships, and sole proprietors, particularly in the high income ranges, are not small business owners of these types, but instead investment bankers, doctors, lawyers, and lobbyists. Is it really "fair" to exempt these "small business owners" from paying their fair share of the burden of deficit reduction? Providing an exemption from the rate increases for S corporations, partnerships, and sole proprietorships, would do just that.

SENATE BUDGET COMMITTEE MINORITY

Chris V. Domenici - Ranking Member, NM
Charles E. Grassley, IA
Dan Rosten, OK
Phil Gramm, TX
Christopher S. Bond, MO
Frank Laut, MS
Hank Brown, CO
Sergei Gordon, WA
Judd Gregg, NH

634 Oldsen Senate Office Building • Washington, D.C. 20510 • (202) 224-6000

Senate Republican Substitute Reconciliation Bill Senators Dole, Domenici, Packwood

June 23, 1993

Objective: Reduce spending first to reduce the federal deficit.

Outline of Proposal:

I. Deficit reduced below \$200 billion in 1998 without taxes.

1. The federal deficit would be reduced to \$197 billion in 1998 without taxes. This is lower than the Senate Democratic plan in that year (\$202 billion) but which relies on over \$263 billion in new taxes and user fees.

2. Total deficit reduction over next five years exceeds \$367 billion in real, enforceable spending cuts. (CBO's estimate of President Clinton's FY 1994 Budget submission totaled \$362 billion over five years.)

II. Discretionary Spending Cuts

1. Extend current law discretionary spending caps for defense, international, and domestic expenditures through 1998. Enforceable through current law sequester process. Savings total \$164 billion over next five years.

- Defense spending caps set at 1994 Budget Resolution levels and President Clinton's request. Defense spending declines from \$279 billion in 1994 to \$253 billion in 1998. Defense outlay savings total \$73 billion over next five years.

- International spending capped at 1993 level for next five years. Spending would average \$21 billion a year over next five years. Savings total \$7.0 billion over next five years.

(MORE)

- Domestic spending capped at 1993 level for next five years. Spending would average \$240 billion annually. Savings total \$85 billion.

III. Entitlement Spending Cuts

1. Establish an enforceable, real cap on non-social security entitlement spending. Cap would become effective in 1996, providing sufficient time for Congress and the Administration to propose substantive legislation to meet cap levels. Caps would apply only to those programs whose expenditures exceeded population growth, inflation, and (in 1996 and 1997) an additional 1% adjustment factor. Total entitlement savings over next five years from implementation of policies to stay within the cap formula would be \$165 billion. Entitlement cap level of spending would be achieved by:

- Adopting all real entitlement cuts in Senate reported reconciliation bill and exclude all direct spending increases. Total gross savings of nearly \$115 billion over next five years.
- Additional entitlement cuts of \$49 billion achieved through application of entitlement cap effective in 1996.

IV. Debt Service Savings \$37.2 billion.

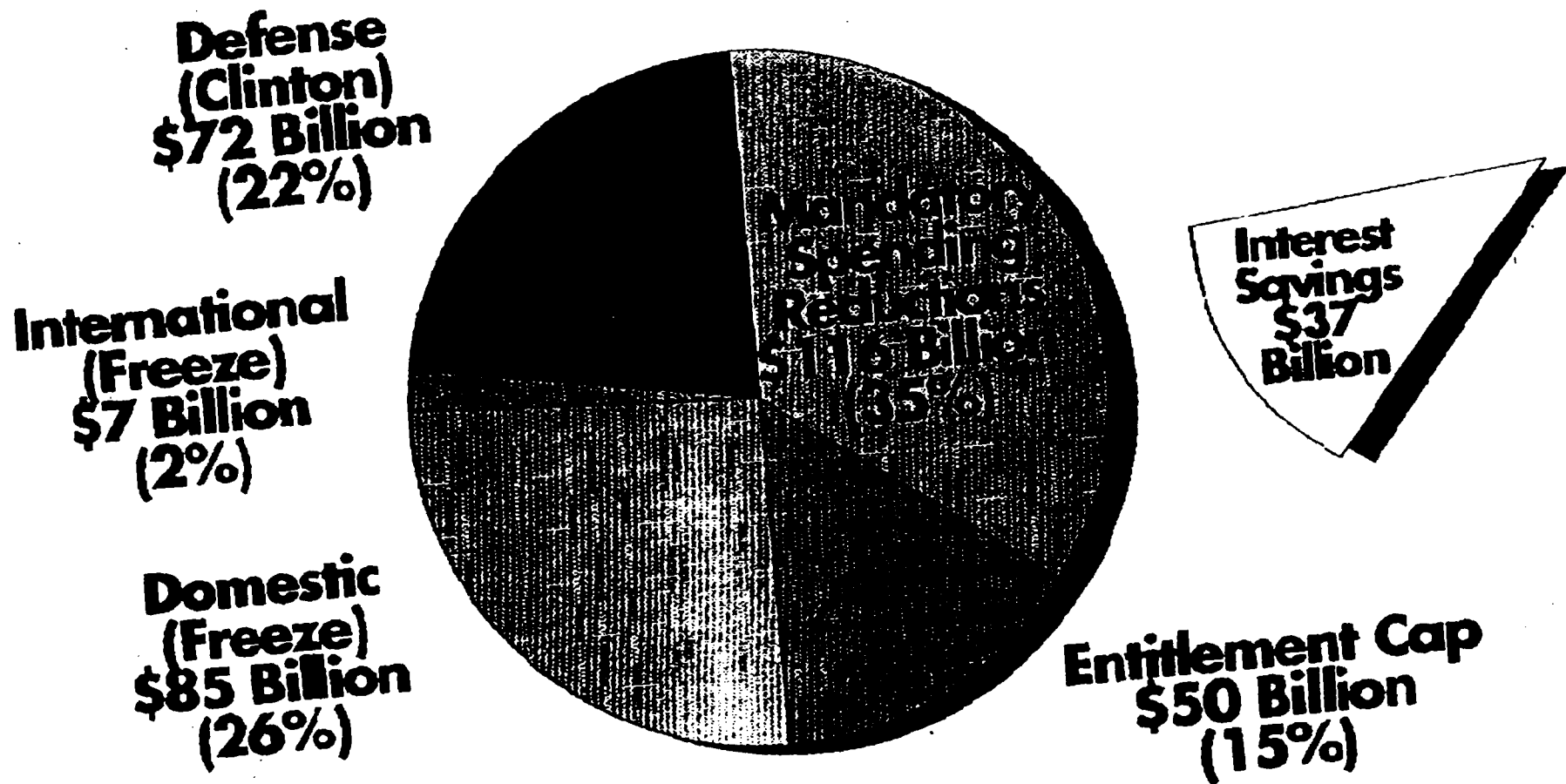
- Based on CBO reestimates of the Treasury Department's actual debt management proposal, savings of \$6.4 billion over the next five years are included in aggregate deficit reduction numbers.
- Additional debt service savings of \$30.8 billion from reduced deficit spending in the proposal.

V. Revenue Proposals -- Zero Revenues Raised

1. Sense of the Congress Language: No new taxes should be imposed on the American public until and when the spending cuts specified in this plan have been agreed on and implemented with enforceable procedures.

- VI. Makes "emergency" spending legislation that is exempt from a sequester subject to a 60-vote point of order.

Distribution of \$367 Billion Senate Republican Spending Cut Plan



SOURCE: Senate Budget Committee, Minority Staff

June 23, 1993

Dear Senator:

The undersigned organizations support the President's economic plan. Although the Senate Finance Committee reconciliation bill departs from this plan, it does achieve the President's principles for comprehensive deficit reduction, a more progressive tax policy, and long-term economic growth with investment in human needs.

We strongly oppose any amendments to the bill that would cap spending on entitlement programs. We encourage efforts to make the final bill more closely reflect the President's economic plan, particularly as it concerns meeting the needs of elderly and low-income Americans.

Sincerely,

AFSCME
AIDS Action Council
American Association of University Affiliated Programs
American Council on Education
American Federation of Government Employees
American Planning Association
Americans for Democratic Action
The Arc
B'nai B'rith
Career College Association
Catholic Charities
Center for Community Change
Center for Women Policy Studies
Child Welfare League of America
Church Women United
Coalition on Human Needs
Communications Workers of America
Consumer Federation of America
County Welfare Directors Association of California
Families, U.S.A.
Food Research and Action Center
Human Rights Campaign Fund
Interfaith Impact
McAuley Institute
National Association of Children's Hospitals and Related Institutions
National Association of Community Action Agencies
National Association of Community Health Centers
National Association of Homes and Services for Children
National Association of School Psychologists
National Association of Social Workers
National Coalition for the Homeless
National Community AIDS Partnership
National Council of Jewish Women
National Displaced Homemakers Network
National Education Association

National Mental Health Association
National Neighborhood Coalition
National Rural Letter Carriers Association
Network: Catholic Social Justice Lobby
OMB Watch
Peace Action
Physicians for Social Responsibility
Public Citizen
Public Employee Department, AFL-CIO
Service Employees International Union
United Auto Workers of America
United Food and Commercial Workers Union
United States Student Association
United Steelworkers of America
Woman's National Democratic Club
Y.W.C.A. of the U.S.A.

Office of Public Liaison

Routing Slip

DATE: 7/23/93

FROM: Mike Lux

JUL 23 1993

TO:

Alexis Herman ✓

Flo McAfee _____

Amy Zisook _____

Marilyn DiGiacobbe _____

Andrew Morin _____

Marilyn Yager _____

Chris Lin _____

Mike Lux _____

Dan Wexler _____

Ruby Moy _____

Dana Wyckoff _____

Steve Hilton _____

Debbie Fine _____

Suzanna Valdez _____

Doris Matsui _____

Wendy Nishikawa _____

THE ATTACHED IS FOR YOUR:

INFORMATION ✓

ADVICE _____

ACTION _____

COMMENTS:

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THE WEXLER GROUP

1317 F Street, N.W.

Suite 600

Washington D.C. 20004

202-638-2121

202-638-7045 Telecopy

FAX COVER SHEET

NAME:

Ruby

FAX NUMBER

456-2983

FROM:

ANNE WEXLER

/ Claudio

PAGES:

5

DATE:

7/7/93

ANY PROBLEMS WITH THIS TRANSMISSION PLEASE CALL JUNE OR CLAUDIO
202-662-3709

MESSAGE:

CONFIDENTIALITY NOTE:

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To: Alexis Herman

From: Anne Wexler

May 31, 1993

RECONCILIATION

To provide maximum public support for reconciliation in the Senate a task force including all the players mentioned below should be formed immediately to develop a strategy and a coordinated operational plan to accomplish the goal. The key players are obviously the Office of Congressional Relations which must identify the targets and give guidance on how their needs must be addressed. Once determined, it is the responsibility of the offices mentioned below to take assignments, coordinate their activities to create and deliver public support. This cannot be accomplished successfully without all offices working together. The office of the Chief of Staff should determine who should run the task force.

THE PLAYERS

**Office of Congressional Relations
Office of Public Liaison
Office of Intergovernmental Relations
Office of Political Liaison
Cabinet Secretary
Office of Media Relations
Office of Domestic Policy Advisor
Treasury
The Democratic National Committee**

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OCR is responsible for providing the list of targets to be addressed by the group. The object is to provide the White House lobbyists with visible manifestations of public support for the issue within the states of the target Senators. Once the target list is established, the other offices will coordinate their activities to create various methods of communication with target Senators. Each activity and its result can be reported on and reviewed on a

daily basis. It is the responsibility of the OCR to inform each Senator and the leadership of the activity being undertaken by the White House and the DNC and to ask for suggestions of people to contact, publications that may be receptive, leaders to be invited to the White House and otherwise contacted. The White House lobbyists decide who contacts Senators and what levels of outside support are appropriate.

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The Office of Public Liaison is responsible for identifying, contacting, briefing and organizing constituent groups to provide public support for reconciliation both in Washington and outside the Beltway. OPL is responsible for building and maintaining the coalition to support reconciliation and for working with the DNC to organize its members to provide public backup to the White House lobbyists through lobbying and other member contacts (letters, phone calls, faxes, visits, etc). This is accomplished by contact, followup briefings, materials, talking points, continuous care and feeding of constituent groups who are in the coalition. OPL should consider inviting supportive, undecided and leaning constituent leaders and special media from target states to the White House for briefings with the President and Cabinet members heavily covered by local press. This saves the President from additional out of town travel and is always warmly received by those invited, including out of town press. This must be planned in advance to give people time to adjust their schedules. Those functions which are considered direct lobbying rather than education and organization are conducted by the DNC in constant coordination with the OPL. The principal function of the OPL is organization of the coalition, extension of its activities to the target states and followup. Each unit of the task force should contribute to identifying potential members of the coalition, as can Senate supporters through their direct contacts with OCR. The coalition can be invited to the White House to be briefed and publicly express their support to the President while the DNC can organize its members both inside and outside Washington. The OPL is responsible for working directly with the policy staff and the Treasury to provide the proper materials for the various constituent groups which can then be distributed by OPL.

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involves constant communication and attention as the policy evolves and changes through negotiation and floor action. This constituency needs much personal attention.

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W H /
Wexler

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THE WEXLER GROUP

1317 F Street, N.W.

Suite 600

Washington D.C. 20004

202-638-2121

202-638-7045 Telecopy

FAX COVER SHEET

NAME:

Alexis Herman
% RUBY

FAX NUMBER

FROM:

ANNE WEXLER

PAGES:

5

DATE:

6-10-93

ANY PROBLEMS WITH THIS TRANSMISSION PLEASE CALL JUNE OR CLAUDIO
202-662-3709

MESSAGE:

CONFIDENTIALITY NOTE:

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EXTRAS

THE WHITE HOUSE
WASHINGTON

June 7, 1993

MEMORANDUM FOR MACK MCLARTY

FROM: ALEXIS HERMAN, Assistant to the President and Director
of Public Liaison

Reflecting on the successful passage of the Reconciliation Package, as well as the coming fight on the economic package in the Senate, I thought it would be important to evaluate, from my perspective, things that worked, as well as problems that surfaced. I believe we have learned some fundamental lessons about what the White House needs to do to achieve success. This memorandum is intended to insure that those lessons are not lost as we move forward. I have divided my comments into three areas, what worked, concerns going forward, and recommended actions.

What Worked

The following elements profoundly and beneficially impacted our success:

1. **The team approach the week before the vote was critical to our success.**
2. **Once alerted to the problem in the House, the DNC did an excellent job putting pressure on Members.**
3. **The elite strategy kicked in to help us in the end.**
4. **The Wednesday CEO luncheons were effective in reaching out to the business community.**
5. **Using the Boren amendment to illustrate the weak alternative if our package was not approved.**

DETAIL

1. The team approach the week before the vote was critical to our success. Once we knew the vote would be close, which was the Thursday before the vote, we were able to develop an aggressive and coordinated strategy. Staff from OPL, Intergovernmental, the DNC, Political, and Cabinet Affairs met 2-3 times daily to review targeting and plot strategy. We used all the tools at our disposal to bring pressure to bear on Congress. The night of the vote, we operated a miniature war room out of my office so that all the departments had a central location to give and receive up-to-the-minute information.
2. Once alerted to the problem in the House, the DNC did an excellent job putting pressure on Members. I was impressed with the work of the DNC staff in helping us during the week before the vote. They coordinated closely with us, helping motivate groups, elected officials, and party contributors and activists. They were not able to deliver more grassroots support only because they were not asked to do so in a timely fashion, nor were they provided a target list.
3. The elite strategy kicked in to help us in the end. The weight of business people, key Democratic contributors, important groups, and other elites working the phones and faxes made a big difference in the days leading up to the vote. A number of Congress people called to thank us for providing them cover. We also know of several other cases where our callers were told "Enough already - I'll vote for it." The elite strategy was also an invaluable source of political intelligence.
4. The Wednesday CEO lunches were effective in reaching out to the business community. At a time when we needed to build confidence in the corporate sector, the lunches we instituted several weeks ago are paying clear dividends in terms of renewed business support.
5. Using the Boren amendment to illustrate the weak alternative if our package was not approved. Although the Boren initiative initially panicked members of the House by undermining our political position in the Senate,

this amendment served a useful function by highlighting the most likely alternative to the President's package: cutting programs for the elderly, the middle class, and the poor. For example, senior's groups like AARP and the Roosevelt group always opposed the increased social security taxes and Medicare cuts in the package (although they have muted their opposition because they wanted to keep working with us on health care.) After the Boren amendment came out, those groups backed off their opposition and sent signals to the Hill Members that it was okay to support the package. Other more liberal senior groups, especially National Council of Senior Citizens, actively helped us in places like Florida and Pennsylvania. Subject to the news reports regarding Moynihan's statement about Medicare cuts, given the real threat of the Boren amendment in the Senate, we can count on increased aggressiveness from the aging community.

Highlighting the Boren alternative as the only alternative will also energize many other groups as well, including labor, women's groups, civil rights groups, and other liberal organizations.

Concerns Going Into the Senate Vote

- 1. There is a need for more consistent daily communication inter-departmentally at the White House.**
- 2. We need to figure out better ways to motivate our base at the grassroots.**
- 3. We need to be tougher with our business allies about coming through for us in terms of grassroots pressure.**

DETAIL

1. There is a need for more consistent daily communication inter-departmentally at the White House. We must determine a way for each department and the DNC to have access to detailed information from Legislative Affairs, and on a daily basis. We have substantial resources we can bring to bear, and valuable strategic information for use by Legislative

Affairs, if we know more details on who the targets are, what deals are being cut, etc. Weekly meetings between the DCCC, DSCC, top House and Senate political staff, the DNC, and a representative of White House OPL and Political staffs.

2. We must devise more effective ways to motivate our base at the grassroots. Although the leadership of the base groups are generally supportive of the plan, they have yet to fully energize their constituencies on our behalf. This is principally due to a communications problem: we have not been able to communicate in a focused way to our base about the things in the plan that help them. The other part of the problem is the tendency for interest groups, even the friendly ones, to get bogged down in the details they do not like. Examples include environmentalists not liking our compromises on grazing fees and the energy tax; aging groups not liking the social security tax; veterans groups focusing on the veterans' program cuts.

We need to come up with creative new strategies for energizing and educating the grassroots. I will be working with my staff, Political, Communications, and the DNC on a targeted communications plan for base groups. And again, focusing on the alternative can help motivate these groups.

3. We need to be tougher with our business allies about coming through for us in terms of grassroots pressure. Our enemies on this issue in the business community (NAM, the Chamber, the energy industry) did a much better job energizing grassroots pressure than our friends in the business community (Realtors, Homebuilders, CEO endorsers). We will have to start laying it on the line for these groups: if they can not deliver their troops, the things in the bill they like may not survive the next round of compromises.

RECOMMEND IMMEDIATE ACTIONS

1. We need to articulate how we will coordinate our efforts for the Senate vote. Roy Neel's initial team coordination meeting with Legislative Affairs,

Cabinet Affairs, Political, Intergovernmental, and OPL served as the catalyst for our efforts in gaining support in the House.

2. We must analyze the impact of proposed changes to the package on our base. We can lose their support quickly due to the dynamic nature of Senate negotiations. OPL is talking to the base to "take their temperature" regarding rumors coming out of the Senate.

3. Similarly, we must be very careful in light of Lani Guinier and Senate negotiations, that we do not alienate the base further by sending confusing messages. We are moving forward with welfare reform in a public way, and at a time when liberal supporters are wary of our actions. We must review carefully our actions in this regard to more strategically position ourselves and succeed with this legislation.

4. We must also remain mindful of the impact of our actions on our friends in Congress. We can alienate them if we are not sensitive to their vulnerability. For example, many CBC members are exposed from both the left and right of the political spectrum. From the right, business pressures them because of the taxes in the package. From the left, liberal groups pressure them on spending cuts. We mistakenly look at groups like the CBC as monolithic when they are not. We must keep them very informed if we are to retain their support. We need to have a follow-up discussion on those commitments made to CBC members. We also need to keep the lines of communication open with the CBC if we are to retain their support during this sensitive period.

cc: Roy Neel
David Gergen
George Stephanopoulos

THE WHITE HOUSE
WASHINGTON

June 7, 1993

RPL 1

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2. Once alerted to the problem in the House, the DNC did an excellent job putting pressure on Members. I would be remiss if I did not mention how impressed I was with the work of the DNC staff in helping us during the week before the vote. They coordinated closely with us, helping motivate groups, elected officials, and party contributors and activists. They were not able to deliver more grassroots support only because they were not asked to do so in a timely fashion, nor were they provided a target list.
3. The elite strategy kicked in to help us in the end. The weight of business people, key Democratic contributors, important groups, and other elites working the phones and faxes made a big difference in the days leading up to the vote. A number of Congress people called to thank us for providing them cover. We also know of several other cases where our callers were told "Enough already - I'll vote for it." The elite strategy was also an invaluable source of political intelligence.
4. The Wednesday CEO lunches were effective in reaching out to the business community. At a time when we needed to build confidence in the corporate sector, the lunches we instituted several weeks ago are paying clear dividends in terms of renewed business support.
5. Using the Boren amendment to illustrate the weak alternative if our package was not approved. Although the Boren initiative initially panicked

members of the House by undermining our political position in the Senate, this amendment served a useful function by highlighting the most likely alternative to the President's package: cutting programs for the elderly, the middle class, and the poor. For example, senior's groups like AARP and the Roosevelt group always opposed the increased social security taxes and Medicare cuts in the package (although they have muted their opposition because they wanted to keep working with us on health care.) After the Boren amendment came out, those groups backed off their opposition and sent signals to the Hill Members that it was okay to support the package. Other more liberal senior groups, especially National Council of Senior Citizens, actively helped us in places like Florida and Pennsylvania. Subject to the news reports regarding Moynihan's statement about Medicare cuts, given the real threat of the Boren amendment in the Senate, we can count on increased aggressiveness from the aging community.

Highlighting the Boren alternative as the only alternative will also energize many other groups as well, including labor, women's groups, civil rights groups, and other liberal organizations.

Concerns Going Into the Senate Vote

- 1. There is a need for more consistent daily communication inter-departmentally at the White House.**
- 2. We need to figure out better ways to motivate our base at the grassroots.**
- 3. We need to be tougher with our business allies about coming through for us in terms of grassroots pressure.**

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department and the DNC to have access to detailed information from Legislative Affairs, and on a daily basis. We have substantial resources we can bring to bear, and valuable strategic information for use by Legislative Affairs, if we know more details on who the targets are, what deals are being cut, etc. Weekly meetings between the DCCC, DSCC, top House and Senate political staff, the DNC, and a representative of White House OPL and Political staffs.

2. We must devise more effective ways to motivate our base at the grassroots. Although the leadership of the base groups are generally supportive of the plan, they have yet to fully energize their constituencies on our behalf. This is principally due to a communications problem: we have not been able to communicate in a focused way to our base about the things in the plan that help them. The other part of the problem is the tendency for interest groups, even the friendly ones, to get bogged down in the details they do not like. Examples include environmentalists not liking our compromises on grazing fees and the energy tax; aging groups not liking the social security tax; veterans groups focusing on the veterans' program cuts.

We need to come up with creative new strategies for energizing and educating the grassroots. I will be working with my staff, Political, Communications, and the DNC on a targeted communications plan for base groups. And again, focusing on the alternative can help motivate these groups.

3. We need to be tougher with our business allies about coming through for us in terms of grassroots pressure. Our enemies on this issue in the business community (NAM, the Chamber, the energy industry) did a much better job energizing grassroots pressure than our friends in the business community (Realtors, Homebuilders, CEO endorsers). We will have to start laying it on the line for these groups: if they can not deliver their troops, the things in the bill they like may not survive the next round of compromises.

IMMEDIATE ACTIONS

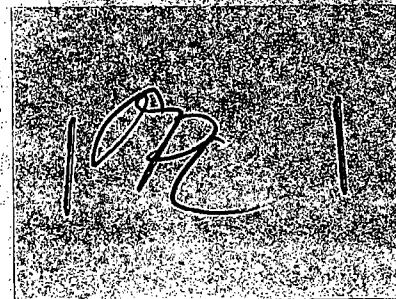
~~Clearly~~, we need to articulate what the coordination strategy will be. Roy Neel's initial team coordination meeting with Legislative Affairs, Cabinet Affairs, Political, Intergovernmental, and OPL served as the catalyst for our efforts in gaining support in the House.

We must analyze the impact of proposed changes to the package on our base. We can lose their support quickly due to the dynamic nature of Senate negotiations. OPL is talking to the base to "take their temperature" regarding rumors coming out of the Senate.

Similarly, we must be very careful in light of Lani Guinier and Senate negotiations, that we do not alienate the base by further sending confusing messages. We are moving forward with welfare reform in a public way, and at a time when a liberal supporters are wary of our actions. We must review carefully our actions in this regard to more strategically position ourselves and succeed with this legislation.

We must also remain mindful of the impact of our actions on our friends in Congress. We can alienate them if we are not sensitive to their vulnerability. For example, many CBC members are exposed from both the left and right of the political spectrum. From the right, business pressures them because of the taxes in the package. From the left, liberal groups pressure them on spending cuts. We mistakenly look at groups like the CBC as monolithic when they are not. We must keep them very informed if we are to retain their support. We need to have a follow-up discussion on those commitments made to CBC members. We also need to keep the lines of communication open with the CBC if we are to retain their support during this sensitive period.

cc: Roy Neel
David Gergen
George Stephanopoulos



June 7, 1993

MEMORANDUM FOR THE PRESIDENT

**FROM: ALEXIS HERMAN, Assistant to the President and Director
of Public Liaison**

Reflecting on the successful passage of the Reconciliation Package, as well as the coming fight on the economic package in the Senate, I thought it would be important to evaluate, from my perspective, things that worked, as well as problems that surfaced. I believe we have learned some fundamental lessons about what the White House needs to do to achieve success. This memorandum is intended to insure that those lessons are not lost as we move forward.

What Worked

The following elements profoundly and beneficially impacted our success:

- 1. The team approach the week before the vote was critical to our success.**
- 2. Once alerted to the problem in the House, the DNC did an excellent job putting pressure on Members.**
- 3. The elite strategy kicked in to help us in the end.**
- 4. The Wednesday CEO luncheons were effective in reaching out to the business community.**

5. Using the Boren amendment to illustrate the weak alternatives if our package was not approved.

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5. Using the Boren amendment to illustrate the weak alternative if our package was not approved. Although the Boren initiative initially panicked members of the House by undermining our political position in the Senate, his amendment served a useful function by highlighting the most likely alternative to the President's package: cutting programs for the elderly, the middle class, and the poor. For example, senior's groups like AARP and the Roosevelt group had always opposed the increased social security taxes and Medicare cuts in the package (although they have muted their opposition because they wanted to keep working with us on health care.) After the Boren amendment came out, those groups backed off on their opposition and sent signals to the Hill Members that it was okay to support the package. Other more liberal senior groups, especially National Council of Senior Citizens, actively helped us in places like Florida and Pennsylvania. Subject to the news reports regarding Moynihan's statement about Medicare cuts, given the real threat of the Boren amendment in the Senate, we can count on increased aggressiveness from the aging community.

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Similarly, we must be very careful in light of the Lani Guinier and Senate negotiations, ~~that we do not alienate the base by sending confusing messages in the form of controversial legislation.~~ We are moving forward with welfare reform in a public way, and at a time when ~~the~~ liberal supporters are wary of actions. We must review carefully, our actions in this regard.

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