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THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release February 6, 1997

PRESS BRIEFING BY

SECRETARY OF TREASURY BOB RUBIN,

OMB DIRECTOR FRANK RAINES,

CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISORS JOE STIGLITZ,

CHAIRMAN OF THE ECONOMIC COUNCIL GENE SPERLING

Room 450

Old Executive Office

Building

12:12 P.M. EST

MR. SPERLING: I'm Gene Sperling. I'm just going to -- I'd just like to say a word or two and then we're going to proceed with rolling out the information that's in our budget.

This is our fifth budget. It's the fifth time that we've produced a budget with the President through a team nature --

the economic team, with the leadership of the Director of OMB -- this year Frank Raines who did an outstanding job in bringing this budget -- helping us bring this budget together.

The main point that I would just like to make before we start is simply this: When we came into office in '92, I think if you looked at fiscal debate in this country, it was pretty much divided between those who took a view that deficit reduction required almost blanket, across-the-board cutting of all programs regardless of their work merit versus, I believe, another group who was more intent on increasing public investments, but was not as focused on the problems of the deficit.

And I think that when you look at what Bill Clinton's special legacy is, his special fiscal legacy is that he has shown through his action and through our record that it is possible and indeed an imperative to be able to bring down the deficit to increase private sector investment at the same time that you are increasing the public sector investment in education, in children --

When we came into office in 1992, the projected deficit for the year 2002 was $587 billion. We had the highest nominal deficit. We trailed Japan, France and Germany as percentage -- on the deficit percentage of our economy. Today we are at $107 billion. And the lower interest rates that has brought has led to over 10 percent increase in annual investment in productive equipment, which is the best for any administration since the Kennedy administration.

Now, at the very same time that we have gone -- taken the deficit down and taken spending down, we have increased investments in key areas so that today 15 million more families -- hard-pressed families -- are getting up to an average of $1,000 more in their Earned Income Tax Credit.

Head Start -- $1.2 billion is spent more every year right now than when we came in -- a 43 percent increase and a 55 percent increase with our new budget; 1.7 million more people are in the Women, Infant and Children program -- a 38 percent increase. A billion more is spent in Title I spending every year. Dislocated workers spending has doubled so that 274,000 more dislocated workers get training every year. This is in addition to the brand new programs like school-to-work, national service; $2.4 billion increase

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-- annual increase in NIH and Ryan White funding, going from $386 million to $996 million.

It is worth mentioning this because I believe if we were back four years ago, the notion that you could so dramatically have this kind of impact on people's lives with these kind of increases at the same time that you went from $290 to $107 billion would have seemed virtually impossible. And our effort to do it reflects not an effort the balance priorities or balance constituencies, it reflects the balance that this President and this economic team thinks is necessary to have the kind of private sector investment and public investment you need to have a growing economy.

And when we look on the economic team at the education initiatives, we look at the specter of having the graduating class of Americans be, a decade earlier, a class that has access to the information technology, to the Internet, to being a class of which something was done about making sure all children can read -- these are not just social issues. If you have -- if we, through our efforts -- the President, through his mobilization, can speed up the day that every child is literate by third grade and is technologically literate by 6th grade -- we will be doing a tremendous thing for the productivity of the workplace.

And so we feel that this budget continues very much the economic philosophy and the theory that the President has put in place and has shown can be done. And I ask people to look at these numbers carefully when making their judgments.

We will proceed in the following order. Joe Stiglitz will speak first to go through the new economic forecast. I want to mention that Monday is Joe's last day. He is one of the nation's preeminent economists. We have been honored to have him on our economic team. We're very happy that we have been able to have a replacement who is also -- enjoys such a tremendous national reputation. But Joe's last day is on Monday, and he will then be becoming the chief economist at the World Bank.

Joe will be followed by Secretary Rubin, who has promised that he will try not to be hysterical. (Laughter.) Though he said perhaps slightly emotional -- (laughter) -- as he describes our revenue package and our tax cuts. And then Secretary Rubin will be followed by Frank Raines who, while he has not yet balanced the budget for us, he has disgraced all of us who have been here four years by in only two months coming up with what is by far the President's favorite economic chart ever. (Laughter.)

So we will proceed in the following order. We will take questions when Director Raines is done. We will take questions for a while. At some point, Larry Haas will cut it off and then many us will stay around here to answer more specific questions.

Joe?

MR. STIGLITZ: Thank you. This budget document includes the administration's new economic forecast. Over the past four years, our economic performance has been excellent. This past year was no exception to the trend of solid GDP growth, combined with strong investment, robust employment increases and low inflation. Overall, we believe that this strong economic performance will continue.

Our forecast is based on the assumption that the

President's proposal to balance the budget by the year 2002 will be enacted. Over the next two years, real GDP is projected to rise 2.0 percent annually. Starting in 1999, the pace of growth is expected to rise to 2.3 percent annually, the administration's estimate of the economy's potential growth rate.

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Our real growth assumption is very close to the consensus of blue chip forecasters for 1997 and 1998, and to the Congressional Budget Office's January estimate for the 1997 to 2002 period. Consistent with our forecast of continued economic expansion near the economy's potential, we believe that inflation will remain low and stable.

Last year, the rate of CPI inflation was elevated by rapid increases in food and energy prices. These prices are not expected to increase any faster than other prices over the next year. And so the rate of increase in the CPI is expected to edge lower, an average of 2.7 percent a year over the forecast horizon. The decline from current inflation also reflects the likely effects of technical adjustments to the computation of the CPI that have been announced by the Bureau of Labor Statistics.

Given the outlook for mediocre -- for moderate inflation -- (laughter) -- for moderate inflation, we project the chain-weighted GDP price index to grow at 2.6 percent over the forecast period. Combining this with the real GDP growth figures, we expect to project nominal GDP growth, averaging 4.9 percent over the forecast horizon.

We project the unemployment rate will remain low. We've revised down our long-term projections to the unemployment rate to 5.5 percent, from 5.7 percent assumed in the mid-session review. This reflects the increasing evidence that the unemployment rate, consistent with stable inflation, has moved down a little. The combination of low inflation and the movement to a balanced budget by the year 2002 will create a very favorable environment for interest rates.

Short rates are expected to fall with a yield of 91-day Treasury bills, leveling off at 4.0 percent. We also see the 10-year rate falling to 5.1 percent over the forecast period. Thus, we are projecting that the term structure will flatten slightly to a shape that reflects the historical experience in periods of low and stable inflation.

In conclusion, let me say for the past four years the economic projections of this administration have consistently been closed to outcomes. Comparisons of our earlier projections with the economy's actual performance show only small differences. If anything, we have been too conservative. We have underestimated real GDP in every forecast and overstated -- overestimated inflation and the budget deficit.

We believe that the economic assumptions presented in this budget are similarly sound and realistic and they are in line with the forecast of the blue chip private forecasters in the Congressional Budget Office.

Finally, as I said at the beginning, we believe the outlook for the economy is good. We see some variations in growth from quarter to quarter. Some recent quarters have been extremely strong. The overall economic fundamentals of our economy are sound and conducive to steady growth with continuing job creation and low inflation.

Now, let me turn to Secretary Rubin who will talk about the tax portio of the budget.

SECRETARY RUBIN: Thank you, Joe. Next time Gene introduces me, I'm going to draft the introduction. (Laughter.)

In any event, let me start with a comment that reflects the four years that I've been here. I can remember when I was on Wall Street and we used to see budgets coming out of Washington and we would write up little research reports and we would deride the assumptions, and rightly so.

When we came here, the President -- well, then President-elect Clinton because it was during the transition -- said to us that he was willing to argue about policy, but he wanted to have realistic numbers. And that's exactly the strategy that we followed for four years, and is why, as the President, Joe and others have said, the deficit in each of those four years came in lower than we had projected at the beginning of the year. And it's exactly in that spirit that we have moved forward in the budget that we're presenting today.

In that budget, we have the President's tax proposals. You have them in your budget books, so I won't repeat them. Let me just very quickly go down the categories. There's a phase-in $500 tax credit for dependent children. There are expanded IRAs. There's a $1,500 tax credit for post-secondary school education or a $10,000 phased-in deduction for college tuition. There's elimination of capital gains taxes for home sales profits of less than $500,000. There is also a proposal -- and expanded work opportunity tax credit to help people move from welfare to work. And that's part of a larger program -- or series of programs, I should say -- that are directed toward helping move the residents of the inner cities into the economic mainstream.

There are $34 billion of loophole closures or elimination of outmoded subsidies. And there's $42 billion which consist primarily of extenders -- that is to say, extending current law. That's a tax raiser as well.

Let me mention one other item, if I may, because it's very important and it gets very little focus. This budget seeks a significant increase in overall funding with respect to this country's leadership in the international economy -- the global economy -- and the international arena more generally. That is to say, it seeks appropriate funding to meet U.N. arrears, and it seeks appropriate funding for the World Bank, for IDA, and for the sister development banks. We think that that funding is absolutely critical to our self-interest -- not charity, but our self-interest -- our national security self-interest and our economic self-interest.

Taken all together, this budget continues the strategy the President began the first day he walked into the Oval Office. And I am confident that if put in place it will contribute to continuing the kinds of economic conditions that we've had the last four years.

With that, Frank Raines.

MR. RAINES: The chart. Like that? Multicolored and balanced, too. (Laughter.)

The budget that we are presenting today is a budget that I think is historic in that, for the first time in 30 years we'll be able to tell the American people that we have brought fiscal sanity back to their government. And I'd like to make five points about this budget that we are presenting.

The first point I would like to make is that we have already done much of the hard work necessary to balance the budget by the year 2002. You've often heard the numbers of reducing the budget deficit from $290 billion in 1972 before the President took office down to $107 billion in 1996.

What you may not have seen is that the impact of that is far greater as you look out over time, and that's what this chart really demonstrates. The green areas on this chart indicate the total savings already achieved by actions taken by the President and Congress since the President took office. That adds up to a total of $2.5 trillion of deficit reduction that is embedded in 2002 from the projections that the President faced when he took office.

What we have left to do, and what this budget is about, is the area in the far righthand corner -- roughly $250 billion remains to be done to actually bring the budget into balance by the year 2002, so that the most important point I think -- first point is that we have achieved an enormous amount, and in comparison to other countries what we have achieved is quite extraordinary.

We must remind ourselves that the United States has the smallest government of any industrialized nation. About 33 percent of GDP is devoted to government; about 21 percent of it in the United States and -- 21 percent in the national government and 12 percent in the states. That compares, for example, to a government of 50 percent of GDP in Germany, a government of 54 percent of GDP in

France, and a government of 36 percent of GDP in Japan. So we have a smaller government than other industrialized countries.

We also have the smallest deficit of any of the other major industrialized nations. We've been able to reduce our deficit to 1.4 percent of GDP at the national level, so that our government, as a result of these policies, is neither growing at some rapid rate, is not out of control and, indeed, we have managed to lead the world in our fiscal policy.

My second point is that we have already reaped many of the benefits from pursuing this fiscal policy, and you've heard a number of them. I'd just like to stress a couple. We have seen dramatic growth in the private sector since the President's plan was put into effect, and such that we've seen business investment and equipment is seven times as fast as it was under President Reagan and five times as fast it was under President Bush.

Of the 11 million new jobs that were created, 93 percent are in the private sector. And if you compare interest rates today to the last time we had unemployment at the current level, the interest rates today are 1.5 percent lower than the last time we had unemployment at this level. So we are receiving the benefits from the pursuit of this fiscal policy.

My third point is that the budget the President is proposing is a credible budget with real savings based on conservative assumptions. As Joe mentioned to you, we've had a pretty good record in estimating on what our budgets will be, what our budget deficits will be. And this is somewhat new. Many of you remember the days of rosy scenarios. Indeed, in the 12 years prior to the President taking office, the deficit came in higher than forecast 10 times. In this administration, every estimate of the actual deficit was lower than forecast, indeed, lower by an average of $50 billion a year -- so that we have been very conservative in our estimates, and the President has broken this pattern of rosy scenarios.

We are proposing a total of $350 billion of deficit reductions in this budget; $137 billion in reductions in discretionary spending, $121 billion in reductions in mandatory spending; $34 billion by eliminating unwarranted corporate tax subsidies; $16 billion by reductions in interest costs, and $42 billion by extending tax provisions that the Congress has allowed to expire.

Now, from that $350 billion of savings, we're using $98 billion for tax cuts for American families. The overall impact of the President's proposal -- can you put the GDP chart, the results -- the overall impact of the President's proposal since he has taken office is to reduce the size of government as a percentage of GDP, and it's a dramatic reduction. Since 1960, the federal government has spent on average about 21 percent of GDP and we've taxed at about 8.5 percent of GDP for the familiar deficit of 2.5 percent of GDP.

In his first four years, he has brought down that number to 20.8 percent of GDP. The budget he is proposing today will reduce the size of the government to 19 percent of GDP, a reduction that's unprecedented in the postwar period. So that this budget, it not only balances the budget, balances revenues and expenditures, but continues a pattern of reducing the size of the government by a dramatic percentage, which will further reduce the size of government in the United States as compared to governments in other industrialized nations. And this is a singular achievement that will be even more the marvel of our competitors.

My fifth point is to emphasize that this budget also invests in the nation's priorities. And you have heard and you material on this, I will not all of them. But I would just point out that the extraordinary investment the President's making in education and training is of historic size. He gave you one measure -- 20 percent higher in those program from 1997 to 1998. It will be 40 percent higher in the year 2002. And if you take in constant dollars the same array of program during the height of the Great Society when Lyndon Johnson was President in 1968, this is twice as much as was being invested in constant dollars in these activities as was invested in that period.

So in the context of a balanced budget, the President has made tough choices and he has managed to invest significant dollars in what he considers to be the most important matters facing the nation, which is preparing our people to enter the 21st century successfully.

The last point that I would like to make is that we need bipartisan cooperation to reach a five-year agreement to balance a budget and to achieve our goals. We obviously think that the President's plan is the best plan for reaching balance in 2002. But we understand that we must join together with the Legislative Branch who have the responsibility for ultimately enacting a budget. The President's budget should be the starting point as Congress begins its discussions on adopting a balanced budget.

The time to balance the budget is now. Our economy is strong so we can absorb the kinds of cuts that are going to be necessary to bring the budget into balance. It appears that at least for the moment, the political stars may be in alignment, where it's in the political interest of both parties to deliver to the American people the balanced budget that they have asked for.

And again, so far, everyone seems to have learned the lessons of the budget battles of the last two years, that the American people will not reward stalemate and will not reward conflict, but, indeed, is looking for real progress. The President has voiced his commitment to reach an agreement. The leaders of Congress have voiced their commitment to reach an agreement. So I'm cautiously optimistic that we can get it done. But I'm also realistic about it. Agreements that have seemed inevitable have eluded our grasp in the past. And if we're to avoid that fate today, we're going to have to work together in good faith. And this administration led by the President is prepared to do just that.

We'll be happy to answer any questions.

Q It sounds like you're very open to compromise. But where do you think will be the biggest stumbling block? Where will the President fight to hold the line?

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MR. RAINES: As the President pointed out, there are a number of matters in which we may simply have disagreements -- in terms of discretionary spending -- in much of what he has proposed as his investments in discretionary spending; with regard to Medicaid, in the past, there have been big disagreements. We don't know the extent to which they may exist today. On the size of a tax cut, there may be disagreements. We don't know.

In fact, we -- I'm looking forward to going and testifying before Congress to hear some of both their criticism, but also their ideas of how they might modify the President's plan and make it better. And if they put their ideas on the table, we'll respond and give them our response to their ideas. But in the absence of new ideas, they can with confidence enact the President's plan because the President's plan is a five-year plan that will, in fact, balance the budget and deal with our nation's major priorities.

Q Do you think they'll go for the U.N. -- paying the U.N. debt?

MR. RAINES: I believe that the -- what we have been able to do in seeking reforms in the United Nations and the change of leadership that has occurred in the United Nations has provided a unique opportunity for us to complete the job, get the remaining financial reforms in the United Nations and then for us to pay our debt. So I'm encouraged based on my conversations that we do have an atmosphere in which we can make progress and achieve both of our goals -- financial reforms as well as paying up what we rightfully owe.

Q The President's budget talks about the difference of scoring and what the question of scoring may mean for the future. But he's already agreed to abide by CBO scores. Can you describe the gap that you anticipate already between the baselines of CBO and OMB, and what the reference to, "if the economy doesn't perform as we think, we will either rescind the tax cuts or cut spending" means in terms of accepting CBO scoring?

MR. RAINES: Sure. We are committed to having this budget scored as being balanced by OMB estimates as well as using CBO's estimates. And we will, indeed, submit the budget to CBO to be scored as balanced.

As many of you know, for the last several months I've been asking to get the CBO numbers so we could actually show you in the budget document how we would do that. We didn't get their numbers until after the budget was printed, and so we're going to have to show you today how we are reaching balance using CBO's numbers. And the way we're doing it is quite simple. If our estimates for the first time prove to be inaccurate and the economic pattern is different than we expect -- and we don't believe it will be inaccurate and we've got a good track record of accuracy -- we will first go to a fast track process in working with Congress to make the additional changes that are necessary in our path in the out-years to ensure that our estimates do come true. And if that doesn't work, we are proposing sunsetting $22 billion of tax cuts, as well as proposing an across-the-board reduction in spending, applying to all programs other than Social Security of 2.25 percent.

As you can see in the small size of that across-the-board reduction, there is not a fundamental difference between the two of us that should drive policy. We expect to have our budget scored as balanced by CBO so that we can then begin the tough work of not having simply proposals, but actually adopting a real balanced budget plan.

Q The President talked a lot about the tax cuts in the programs that he wants to expand, but both he and Mr. Rubin kind of glossed over specifics on the programs that are being cut and where these cuts are coming from. I wonder if you could give us a little bit more of a rundown on exactly where you're going to get the money to pay for these things you're offering.

MR. RAINES: Well, as I mentioned, we have $350 billion of cuts prior to our tax cut; $137 billion are in discretionary programs. That results from us looking program by program and scrubbing program by program --

Q And give us an example of scrubbing a program. What does that mean?

MR. RAINES: It's all boring. They're all boring. They are --

Q Give us a sense -- it may be as interesting as you're going to have a HOPE Scholarship. Give us an idea of where people that are not going to get things that they used to get under this plan, or where the money is coming from.

MR. RAINES: We'll give you some of the real interesting ones. Bob will do some of the tax ones for you and then I'll come back and I'll do some of the others for you.

Q Give us some of the corporate loopholes --

SECRETARY RUBIN: These are the things I always used to take advantage of. (Laughter.) It's what happens when you put the hen in the chicken coop. But in any event, first place, there is a document. I don't know if we've distributed it or not, but there is a document that has all of these in it, so you can get them. But there are certain ways of shorting against the box.

Q -- try understanding --

SECRETARY RUBIN: Rita, you asked the question. (Laughter.) Shorting against the box, which enables people to avoid realizations, but in effect, to accomplish the same purpose as if you've made a sale. We would eliminate that. There are bonds that have such long --

Q Can you give us the dollar figures on that?

SECRETARY RUBIN: Dollar figures on that? I probably could if I could find it -- short against the box -- this thing is $311 million -- we actually have a document on this, so you can get the document. Each one of these is very interesting and you can -- $311 million over five years.

There are bonds that have very long maturities which, in effect, in many respects are just the same as equity, and so we disallow the interest deduction for those bonds. We require an averaging of prices of shares that you buy over a period of time so when you sell them use the average price rather than cherry-picking and choosing the basis that minimizes your taxes. That raises $3 billion. And this list goes on and on and on, and they're basically --

Q The big one is corporate loopholes relating to multinationals --

SECRETARY RUBIN: There is a foreign sales source -- well, a number of these are big, actually, but there's a foreign sales source change that, if I remember correctly, raises about $7 billion or something like that.

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Q What about the top of the cap on Medicaid? Could you talk about that specifically?

SECRETARY RUBIN: Frank would be delighted to address that. (Laughter.)

Q What do all these tax things add up to as a tax increase?

SECRETARY RUBIN: I don't know if I would call them a tax increase; what I would call them is an elimination of loopholes and unwarranted subsidies. And they -- (laughter) -- those loopholes and elimination of unwarranted subsidies -- that's to be distinguished from tax raises -- are $34 billion.

Q If you were on the other side of the fence, though, you would call it a tax increase --

SECRETARY RUBIN: Not if I was fair-minded. (Laughter.)

MR. RAINES: I think the important point Bob was making, then is that we looked at the tax code in the same way we looked at discretionary programs and mandatory programs in looking for things that we believed were either low priority or unfair and made reductions. With regard to the mandatories, the largest reductions we have are in Medicare, which is $100 billion over five years, $134 billion over six years. The Medicare reductions are primarily in reductions for providers, where we are making reductions for each type of provider in the -- within Medicare, we're introducing new market-based changes in our purchasing there, but that will add up to net reductions of $100 billion.

In Medicaid, there are reductions of $22 billion. We're reducing the disproportionate share payments to hospitals, for hospitals, and we're also having a per capita cap. The net savings there is $9 billion, because we're reinvesting $13 billion of those cuts into the program in part to expand coverage for children.

Q Could you describe the per capita cap --

MR. RAINES: I will, indeed. The per capita cap we had proposed last year, we're reproposing it again this year. The purpose of this per capita cap is not to produce dramatic savings in the short run, it is to avoid a major spike in Medicaid spending in the out-years. What happens about every three or four or five years is the states discover a new way to move parts of their budget into the Medicaid program and, therefore, into being matched by the federal government. And we have to then go after that and then put a -- stop that effort.

But we've already seen an explosion in the Medicaid program. What the cap does is it says on a per person basis, the amount by which costs can go up will be limited. We don't see savings in this until about the year 2000 because we're using it more as a safety valve than to generate big savings now. But if there was an explosion, this would save us a lot of money and ensure that we actually hit the path that we are looking for.

The important thing is that we maintain the entitlement so that new people can come on, it's just the cost per person will have a cap and will only be able to rise by a certain percentage.

There must be a question on the District of Columbia.

Q -- discretionary and what have you eliminated, if you can tell us that? You didn't say what you've eliminated in terms of domestic discretionary spending. And could you also explain what year you eliminate it, when do the domestic cuts start?

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MR. RAINES: Well, I think you're going to want to go down program by program. There is -- you will not find an across-the-board approach to this. We really went program by program in making detailed decisions. But we have -- this administration has eliminated over 200 programs in this budget, 250 programs or projects are proposed for termination within the budget. We have looked at things that range from narrow categorical programs in education to funding for water projects that are not economically viable. We have reduced subsidies in some of our export promotion programs. We have reduced equipment that is being used in the Reserve program. We've eliminated projects related to clean coal technology. We've reduced the amount of building in federal buildings fund. We have made changes in our safety net in the farm programs.

We have a litany of changes that we have made across the government that are actually fairly well laid out for you in the budget itself and I think it will probably be easier for you to follow there than in my reciting them.

Q Could you go back to Medicare for one moment? Are you freezing payments to some HMOs, and if so, in what cities or states is that occurring?

MR. RAINES: Within managed care, we are achieving over $30 billion of savings. Those savings, though, are coming from a number of sources. One, we are moving away from managed care the need to help fund graduate medical education. So that's really not a cut to them. We're simply taking it out of the payments we make to them. We're going to make the payments directly to the teaching hospitals.

We also are changing the disparity in managed care payments. Today, managed care payments are based entirely on what the fee for service is in your local community. So a fee for service is low, then the managed care payment is low. In some areas, fee for service is very high, and so the managed care payment is very high. And not surprisingly, where it's very high, managed care is thriving and indeed has been enormously profitable. And where it's very low, managed care has not been able to take hold.

We're believers that managed care can help us hold down health costs. So the first thing we're going to do is we're going to bring up the payments in the low payment areas and begin to bring them down in the high payment areas. And once we have done that, we are also going to change our formula from 95 percent of the fee for service rate in that county down to 90 percent of the fee for service rate. So that in a jurisdiction that has very low payments for Medicare now for managed care, they'll see an increase. And in states that -- in counties that have a payment that's too high, they'll see a decrease.

Q Where around here can you find that, with the high, low payments are?

MR. RAINES: You mean, county by county?

Q Yes.

MR. RAINES: There are -- you won't it in there, but we will be able to have someone -- HHS will be able to go with you county by county to tell you. But it's -- there are a lot of counties and we don't have that in the budget.

Q Frank, I don't want to short-shrift the national interest, but I have an interest as well as my colleagues. But if my colleagues would indulge me for just a moment. The President did say at his press conference last week that he had a package of tax relief for the embattled District of Columbia, the Federal City. I wonder if you could go into that -- what that might be. I'm a little unclear on that and what the overall response might be.

MR. RUBIN: Yes. There is roughly -- there's an economic development corps and it will be roughly $260 billion of --what? Did I say billion? (Laughter.) You know you get used to these numbers --

Q Mayor Barry would love that.

MR. RUBIN: Yes, I'd like to move the decimal, if I may -- $260 million over five years. The content of that $260 million is something we are still working on, but we are very close to reaching conclusions, at which time we will announce them. But they will be incentives for economic activity in Washington, D.C.

Q So the tax cut of Mrs. Norton is one end, and the ability of the city to have a reciprocal -- critic say -- commuter tax, are they on the radar screen at all, any elements of that?

SECRETARY RUBIN: Those are separate issues. Those are not the kinds of tax incentives that we're looking at with respect to $260 million.

Q And the other stuff that you've outlined, the taking over of the certain operations, pensions -- that's still there, viable?

MR. RAINES: Absolutely. We believe that the plan is a fundamental change in the relationship of the federal government to the District, that it will have the effect of helping the financial authority in the District begin to deal with the city's problems. But the city is still going to have to make a lot of tough decisions within that context.

Q Are we confident the city will?

MR. RAINES: I'm confident that the city can.

Q Frank, the President said that you would elaborate on why this budget is going to set the foundations for 20 years of balanced budgets. I was looking back through the records and we've had balanced budgets or surpluses in only six of the last 55 years. What is it in this budget and the projected policies that you have that's going to give you a balance or surpluses for the next 20 years?

MR. RAINES: I'm glad you asked that question. Can you put the 2020 chart? As you all know, projecting budgets over many years is a precarious task, although if you were in the beginning of the 1980s and you simply projected, as a predecessor of mine did, deficits of $200 billion as far as the eye could see, that would have been a pretty accurate forecast, as you can see over here.

But what we have done in this budget is make fundamental changes in mandatory programs and in the tax code, as well as in discretionary programs that brings down the growth of government. I previously showed you a chart that showed us moving from 21 percent of GDP down to 19 percent of GDP. It's that path that makes the difference. And you can see in this chart going out to 2020 that that same red line that you see that's blue over here, that's what the President faced when he came into office.

The blue line in the middle is what we have achieved so far. And there's been a dramatic change in the path so far. What the green line says is, if we adopt this balanced budget that's balanced by 2002, the budget essentially stays in balance over that period, so that this is a budget that makes a fundamental difference in the trend line of budgets.

Now, what that shows is that there's a surplus. I describe it as in balance, because these numbers can move around, but the point is the difference between the red line and the green line. It's --

Q -- this supposes no recession, right?

MR. RAINES: No, the green line is actually not very affected by recessions over that long a period of time, because when you have a recession, revenues decline dramatically -- during the first part of a recovery, you recover much faster so that there is some effect, there is some effect in debt service, but it's swamped by what's going on here in general.

Q -- budget doesn't include any long-range changes to Medicare or Social Security. You're saying that you don't have to deal with the entitlement problem and you still can come out --

MR. RAINES: I'm glad you asked that question. Put up the next chart. (Laughter.)

Q Set him up.

MR. RAINES: What happens after 2020 is what you all know about what happens when all of us retire. And that is when we go from 400,000 people a year turning 65 to 1.4 million people a year turning 65. So we still have that longer-term problem after 2020 that we have to deal with. We have to deal with Medicare as we move out into that period; indeed, Medicare will probably -- we have to begin to deal with it by 2007. And Social Security we have to deal with in that period, and again, we want to begin dealing with it earlier.

The major point here is that we have time. Small changes today make big differences in that outer period. So what this balanced budget does is, it sets the framework for us to begin to deal with this demographic problem, so that without the demographic problem, we have eliminated the structural budget deficit. We haven't dealt with the demographic problem, but the President has called for bipartisan cooperation in dealing with that out-year problem. But the key item is that we will have set a base in the budget from which to do that, and where we can then move to making those small changes that will have a big impact out there.

Q Medicare alone is projected under intermediate projections to be eight percent of GDP by 2050. I don't understand what it is about the presidential policy that would bring that down to where you have it there, let alone the rest of the federal budget.

MR. RAINES: One of the things I think I strongly encourage in each of you as you go through the battling numbers in the next few days is, you're going to see a lot of numbers that are without any policy changes. And those numbers are the numbers that constitute that blue line going up in the middle there. That's without any policy changes. The budget -- this budget is all about policy changes. That's what we are proposing, are major policy changes.

So in Medicare, for example, if you notice in our numbers, we said it saves $100 billion in the first five years -- $134 billion in six years. That number keeps rising. That's the importance of the wedge that we have created in our savings, is that the numbers, the improvement continues as we go forward year after year after year, and that's why we have done this in such a methodical way to start the reduction in deficits the first year and have it grow and grow and grow, rather than try to come in and do it all at once, which would be politically impossible to do and probably physically impossible to do. We've got a path that will continue to produce benefits for decades.

Q -- the deficit increase in the next two years were at $107 billion from '96 -- showed going up to I think about $125 billion next year and $120 billion the year after that. Why are you allowing the deficit to increase --

MR. RAINES: The deficit will increase between 1996 and 1997. It will go down from 1997 through 2002.

What's happening in 1997 is an anomaly. We had a fabulous year in 1996. We had tax revenue far beyond what we estimated would occur, and we are not including that additional -- those additional tax revenue in our estimates for the outgoing years. We also have some anomalies in how outlays are occurring in a number of programs. So it's an anomaly of one year.

It was in the Congressional Resolution last year. It's in ours. All of us recognize that anomaly, but in our budget, from 1997 to 2002, every year the budget deficit goes down.

Q You said that the President had to make some hard choices --

Q To follow on that, can you explain why the deficit goes down so sharply in 2000 and 2001? You have a $4 billion decline in '99 and a $30 billion decline in --

MR. RAINES: That's that wedge I was talking about. You start -- if you put in policies that start making reductions today, every year the reductions get bigger and bigger and bigger. If you looked at 2003, it would be bigger still. If you don't have that kind of a wedge, you don't have a serious budget-balancing plan. You have to have something that isn't just a one-time reduction. They have to be policies that say, spending will be going down over the long run. So that you will see, any year you go out, the numbers will get bigger and bigger.

Q You said that the President had to make some hard choices. Can you be specific about which choices he found hard to make?

MR. RAINES: Well, I think that probably the hardest choices were in discretionary programs. And the President has -- let me give you an example. He and all of his advisers would have liked to have been able to invest even more in infrastructure, because he believes that, next to human capital, that the infrastructure -- physical infrastructure is vital to our economic growth. We have a good package here. I think he would have liked to have had a much more substantial package, but we could not find a way to do that within the discretionary totals.

So that I think if there was a disappointment here for him, I would say he would have liked to have been able to do more in the infrastructure area.

Q It still remains true that in order to make those -- to realize those savings in the deficit in 2001 and 2002, you're going to have to make cuts in discretionary spending. That's going to involve program-by-program decisions by a president whose identity we do not now know. Why is that realistic to expect those kinds of cuts by politicians who are not now presently accountable?

MR RAINES: That's not are plan. Our plan is, and we have in this budget, actual spending totals by agency out to the year 2002. We will propose that Congress enact those this year, that they enact the entire five-year plan this year. So it is not dependent on future Congresses having to make tough decisions. We have laid out, agency by agency, what their budgets would be for every year between now and 2002. So that is the big difference in our approach and the approach that I think might have been debated about, and as various people talk about what they thought we would have, this budget is very detailed out to five years.

If Congress enacts this budget, this Executive Branch will manage the government within those totals for that five-year period. And we propose, within our plan, to reduce the discretionary caps to match exactly what we have in this budget.

Q Frank, what is the growth rate that you assume?

Q You announced you're asking Congress to start off with the President's budget -- starting point in negotiations?

MR. RAINES: We believe that the Congress is going to have to look at the issue of a baseline and come up with its own judgment. We just simply put our record out there for them to judge.

We've been -- on the deficit, we have been more accurate. And we think they ought to choose what has been the most accurate in terms of baselines. That's the decision they're going to have to make. But I think we have a pretty compelling case that they ought to at least consider the estimates that we've made, given our history.

Q Yes, I have a four-question question for you, Frank and Joe. (Laughter.) This is -- GDP is measured by real chained dollars -- the chain year over year. In 1997 you say it's going to be 2.2 percent, and then in 1998 you say it's going to be 2.0 percent. I'm wondering what you think is going to happen in the economy that will create that decline and why do we have that decline?

MR. STIGLITZ: Let me first make one comment. The -- some of this has to do with the way the quarter-to-quarter variations go and in particular, when you calculate year over year, the 1997 number is affected by the strong quarter that we've had in 1996 in the fourth quarter. So in terms of the actual pattern of quarter-by-quarter, which we don't release, the actual year over year for -- fourth quarter to fourth quarter is also 2.0. So the year over year is brought up by the -- as I said, by 1996.

Now, let me answer the question of why that number is lower in the next two years, then increases. The reason for that is that we wanted to come forward with a credible conservative forecast, and those numbers are basically in line with the blue-chip and the

CBO. They're a little bit more conservative than either the blue-chip or the CBO, but when we did our forecast, we wanted to come in with a conservative number.

Q So you don't see anything happening in the economy that --

Q -- downturns. Is that what you're saying?

MR. STIGLITZ: My staff knew that I was leaving and said that that could have some adverse affect. (Laughter.) But -- no, that wasn't -- no, this is just technical details. When you construct a forecast, you have to put together all the various pieces of the economy -- what's happening to the unemployment rate, what's happening to all the various pieces. And when you construct the model, that's the kind of numbers that came out of the model. I think, personally, that they are on the conservative side, but for

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our budget purposes, I thought it was a good idea that we be on the conservative side as we have been in the last four years.

So, as I say, just to give you the numbers to put in perspective, the CBO January numbers for the year over year for 1997 is 2.3 compared to our 2.2. And the CBO's January for 1998 is 2.1 as opposed to our 2.0. They then also have a 1999 going up by .1. We have it going up by .2. These are really very small differences.

The patterns are similar. And just to repeat what I said before, we wanted to be conservative in our numbers.

MR. SPERLING: Let me just give a couple of numbers before we go. And I'm sure that as the volley goes back and forth between here and the Hill, we'll be having more discussion as the day goes on. But in terms of nondefense discretionary spending, even with all of the serious increases that Frank spoke about in our top priorities, particularly education, over the life of the five years, there is an 8.8 percent real cut -- that's inflation-adjusted cut. But when you consider the increases that go within that budget, you can see that while we have, we feel, a much superior path on the nondefense discretionary line than we did in our budget last year. We do feel that was a legitimate concern about our budget last year and something that Frank and all of us worked hard to crack just to have a smooth path on nondefense discretionary. It is tough that it has an 8.8 percent real cut, and that includes within it significant increases.

Second of all, there was a lot of coverage on the corporate subsidy list that Chairman Kasich and others showed up on the Hill recently, but I do want to stress that that was $11.5 billion. And the loophole closers in the corporate subsidies, as Secretary Rubin was mentioning, were $34 billion. So that is an area where we are, so far, I believe, the only party in town that's really tried to go after where some of the real significant funds are that could contribute to deficit reduction in that area.

Third, the $138 billion over five, over six years in Medicare, the reason we gave the six years is because we wanted to see that this really was -- so people could understand the comparison with last year; $138 billion was where the coalition Medicare budget was last year -- $100 billion is slightly higher than their five-year number. This is a significant Medicare savings that we thought we could do without compromising our policy one bit because of the need for extra savings in managed care, where we feel the current payment is actually hurting the trust fund and therefore is unsustainable, and in home health care, where there is too much uncontrolled growth there and where there is a need to take measures to have reductions there.

Finally, if you were to look at the Departments since we came into office, every Department except Justice and Education, I believe, has less employees. Commerce will be a little funny as they get their census numbers up. But again, when you think about every Department over such a period of time actually bringing down the number of employees, you hear the large numbers, but it does reflect the degree that every single Department is, as Frank and the Vice President are asking them to do, do more with less.

And just as you're hearing the different numbers going back and forth, I just wanted to put these on the table. And as Larry said, we will all be here to answer more specific questions and try to be by our phones during the day.

Thank you.

END 1:07 P.M. EST

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CREATION DATE/TIME: 7-FEB-1997 11:55:00.00

SUBJECT: budget synopsis memo in WP5.2

TO: Jeffrey H. Cohen ( Jeffrey H. Cohen@EOP [ UNKNOWN ] )
READ:UNKNOWN

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[[ SENBUD.98 : 2648 in SENBUD.98 ]]=================== ATTACHMENT 1 ===================
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id <01IF4RK8S28000CFFL@PMDF.EOP.GOV> for Jeffrey_H._Cohen@oa.eop.gov; Fri,
07 Feb 1997 10:58:38 -0400 (EDT)
Received: from BUBBA.DOL.GOV by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA15129; Fri, 07 Feb 1997 10:58:35 -0500

Received: by dol.gov (5.x/SMI-SVR4) id AA01655; Fri, 07 Feb 1997 10:55:51 -0500

Received: from smtpgw(166.96.2.20) by gatekeeper via smap (V1.3)
id sma001445; Fri Feb 7 10:55:14 1997
Received: by gatekeeper with Microsoft Mail id <32FB0AAD@gatekeeper>; Fri,
07 Feb 1997 10:57:49 -0500 (EST)
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\< XX XX #qJBmk PkQqP#`;%February 06, 1997

\<z SENATE BUDGET COMMITTEE (MINORITY)

\< Highlights

In his 1998 budget, President Clinton has proposed a balanced approach to lead this Nation into the 21st century. The budget is balanced not only fiscally it will lead to a surplus in 5 years but also in terms of policy. Even as the President looks to the future with bold proposals to improve the Nation's educational system, he seeks to ensure that those Americans whose hard work and sacrifice have brought us to this juncture are not forgotten.

The President's proposals represent a carefully measured approach to eliminating the deficit. Savings are split almost equally between discretionary reductions and entitlement changes. Even in areas like Medicare, where any proposed change may be considered controversial, the President has suggested workable reforms that are designed to protect the benefits for which so many Americans have worked so hard. Within the extremely tight limits on discretionary spending, the budget reflects the priorities of a Nation preparing itself for the new economy of the next millennium.

The 1998 budget delivers on the President's promise to put our fiscal house in order by ensuring, for the first time in two decades, that the Federal Government will take in more money than it spends. At the same time, the budget looks to a promising future of even greater economic growth and prosperity a future that can be achieved only by ensuring that the next generation of Americans is ready to meet the challenges it faces.

\>< The President's 1998 Budget

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\ <JLCurrent services deficits128hh120@h140pp128 xx109 0(#(#X101

\:!<Proposalsx` ` -2 hh+1 h-23 -41 xx-72 (#(#X -118

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\&<L Fiscal Balance in 2002

\'< Completing the job . The deficit has declined for 4 straight years, from $290 billion in 1992 to $107 billion in 1996. As a percentage of the economy, the budget deficit is now at 1.4 percent, the lowest level since 1979, and the lowest of any major industrialized nation. The 1998 budget completes the job with credible savings proposals that close the gap between spending and revenues in 2002."-...XXH0"

\< Sustained economic growth . The budget builds on President Clinton's strong economic record. Since 1993, more than 11 million new jobs have been created, and the current unemployment rate stands at 5.3 percent. OMB, CBO, and private-sector economists all foresee a slowdown in growth to a more sustainable pace after real GDP rose a strong 3.4 percent in 1996. On the whole, CBO's economic projections are somewhat more pessimistic than OMB's, leading them to predict worse future budget deficits. In the past 4 years, however, OMB's forecasting record for both the economy and the deficit have been superior to CBO's, even while actual growth and deficits have been better than either agency's projections.

\L< Economic assumptions. If OMB assumptions prove overly optimistic, expedited congressional procedures call for additional cuts to keep the deficit on a path to balance. As a fall back, a set of automatic triggers cut spending across-the-board and sunset most tax cuts. Savings are split evenly among taxes, entitlements, and discretionary spending.Balanced Priorities

The budget limits discretionary spending, reforms entitlement programs, and eliminates unwarranted corporate benefits reducing the deficit by $351 billion over 5 years. These savings are offset by targeted tax cuts of $98 billion over the same period. Gross savings are lower than previous plans for at least two reasons. The time frame for balance has been compressed from 6 years to 5. In addition, recent improvement in the economic and budget outlook reduced the cumulative savings required to achieve balance from previous levels.

\M< Discretionary . Discretionary proposals save $137 billion in outlays by reducing the projected growth below the inflated baseline. The budget does provide small increases over a hard freeze for both defense ($68 billion) and non-defense ($122 billion). Greatest investments in the non-defense category are for education, training and law enforcement. Force readiness is the top defense priority.

\"< Education and Training . Education is the number one priority in the President's budget. To pay for his national crusade to improve education and provide for lifelong learning, the President's budget includes $46.4 billion in discretionary budget authority for education and training. His proposal is $8.9 billion over that allocated in last year's budget resolution and an increase of $4 billion over the 1997 appropriated level. Head Start, Goals 2000, Education Technology, Pell Grants, and Job Corps are but a few of the programs included in this function category that receive significant budget increases in the President's plan.

"0-...XX/"

\< Protecting the Environment. The President's budget places a priority on protecting the environment by increasing funds for several Environmental Protection Agency (EPA) programs and natural resources initiatives. The President follows through on his pledge to offer a balanced budget plan that protects the environment by recommending an increase of $3.1 billion, up 12 percent relative to last year, for various programs, highlighted by an increase of $846 million for the EPA. The President's budget increases funding for the EPA's operating program the backbone of EPA's efforts to ensure the enforcement of current environmental laws and the Superfund program that will serve to speed up the pace of cleanup of toxic waste sites. Also included in the request is $87 million for the brownfields program, an increase of $51 million.

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< Crime. The President's budget extends the commitment to cut crime, curb illegal drugs, and secure the Nation's borders, providing $1.1 billion more resources than last year. With overall crime rates dropping for the last 5 years, the Administration proposes to target resources to combat juvenile crime and illegal immigration. To this end, the budget continues funding to put 100,000 police officers on the street, increases State grants for prison construction and the Violence against Women initiative, presents new anti-drug abuse programs, and deploys more resources along the Nation's southern border to disrupt the drug trade and illegal immigration.

"...XX"

\< Major Proposals in the President's Budget

\<(In billions of dollars)1998 @1999 pp2000 2001 0 2002 5-yr

CURRENT

\<wSERVICES DEFICITS 120 @140 pp128 109 0101 ---

\< Discretionary changes 1/ -6 @-18 pp-23 -41 0-50
-137

\x< Defense -5 @-15 pp-14 -22 0-23 -8
0

\ < Nondefense` ` -1 @-3 pp-8 -19 0-27 -58

\J< Entitlement changes +(*) -6 @-19 pp-33 -64 xx 0-121

\ <PMedicare ` ` -4 @-11 pp-22 -28 0-35 -100

\< Medicaid (net) 1 @+(*) pp-1 -4 xx 0 -6 -9

\<Health insurance initiatives3 @3 pp3 4 xx 01 1
4
Welfare reform

\W< (excluding Medicaid) 3 @3hpp4 3 03 (#(#X 16

\<Spectrum proposals -2hh@-2 pp-4 -6 0-22 (#(#X -36

\)< Student loans -1 @-(*) pp-(*) -(*) 0-1 (#(#X
-3

\< School construction 1 @1 pp1 1 0 ---
(#(#X 5

\< Improve 3rd grade literacy0 @+(*) pp+(*) +(*) 0+(*)
(#(#X 1

\d<Other mandatory` ` -1 @-1 pp-(*) -1 0-4 -9

\<Revenue proposals` ` 7 @1 pp4 6 xx 05 22

\6<PTax relief 18 @16 pp20 22 023 9
8

\< Unwarranted benefits-4 @-6 pp-7 -8 0-9 (#(#X
-34

\< Other provisions -7 @-9 pp-9 -9 0-9 (#(#X -
42

\q <Total programmatic changes1 @-22 pp-38 -68 0-109
-236

\!<Debt service ` ` -(*) hh@-1 pp-2 -5 xx 0-9 -16

\C#<Total, proposals ` ` 1 @-23 pp-41 -72 0-118 -25
2

RESULTING

\~'< DEFICIT/SURPLUS 121 @117 pp87 36 0-17 ---

\P*< 1/ #XGBmk PkQNXP#Savings from uncapped baseline. Total discretionary cuts from capped baseline are $96 billion over 5
ZA+-years."A+...XX-"
\<#qJBmk PkQqP# Military Spending. The President proposes $266 billio
n for
defense-related programs, an increase of $2.9 billion from last year's level, and assumes enactment of requested rescissions and supplementals. Over the next 5 years, the Administration proposes to increase defense spending by $68 billion from a discretionary freeze at 1997 enacted levels. The President's 1998 budget request provides defense with $6.5 billion more in 1998 and $19.2 billion more in 1998-2002 than was projected for these time periods in last year's budget submission. The Administration's defense request continues to emphasize readiness and quality of life for U.S. soldiers. The budget provides robust funding of $93.7 billion or operation and maintenance and gives military personnel a pay raise of 2.8 percent in 1998 and 3.0 percent thereafter. The President's defense procurement request is $42.6 billion, a $1.5 billion decline from last year's level. Over the next 5 years, procurement spending would rise by 47 percent in real terms, hitting the Joint Chief's $60 billion goal in 2001 and $68 billion in 2002. These increases would accommodate the purchase of new weapons systems coming on line at the turn of the century.

\< Foreign Policy and Diplomacy Spending. The President proposes $19.5 billion in support of the Nation's foreign policy and diplomatic efforts, which is $1.2 billion more than last year's enacted level. This increase allows the United States to clear arrearages and pays our assessed contributions to the United Nations, and provides stepped-up assistance of $900 million to the fragile democracies of the New Independent States. To avert future monetary or currency crises, the budget also includes a request for an additional $3.5 billion in budget authority only (no outlays) for the New Arrangements to Borrow. The budget continues to provide robust funding of $5.7 billion to support the Middle East peace process.

\< Medicare . The 1998 budget preserves and modernizes Medicare saving $100 billion over 5 years and extending the solvency of the Hospital Insurance Trust Fund into 2007. The package gives beneficiaries more choices among private health plans, makes Medicare more efficient and responsive to beneficiary needs, and reduces the growth rate of provider payments without adding new costs to enrollees.

The distribution of 5-year savings concentrates on areas of unsustainable growth. These include reductions in payments to managed care programs ($34 billion), hospitals ($33 billion), home health agencies ($14 billion), physician payments ($7 billion), skilled nursing facilities ($7 billion), and other providers ($2 billion). Measures to reduce fraud and abuse save an additional $9 billion and new preventative benefits cost $16 billion over 5 years. The Part-B premium is extended at 25 percent for savings of $10 billion over 5 years."0-...XX/"

\< Medicaid. The President proposes a number of changes to Medicaid, resulting in $9 billion in net savings. His plan limits the amount of Federal dollars States can spend through a per-person cap, while continuing to guarantee health and long-term care for the 37 million low-income pregnant women, children, disabled Americans, and elderly who rely on it. In addition, the budget proposals include a restructuring of payments to hospitals that serve a disproportionate share of low-income patients States would be granted additional flexibility to simplify administration of the program. These changes result in $22 billion in gross savings.

The President also proposes to add back $13 billion to provide additional services under Medicaid including States options to increase coverage for children and the disabled. The plan would also restore certain benefits for legal immigrants and their children that were eliminated in last year's welfare reform legislation.

\< Other Health Initiatives. The budget includes three new policies to extend health coverage to the uninsured: a State grant program to provide health coverage to uninsured children; a demonstration project to provide premium assistance to individuals and families who lose their health insurance when they are between jobs; and grants to States to encourage the creation of voluntary purchasing cooperatives for small businesses. These proposals are projected to cost $13.7 billion over 5 years. The administration estimates that 5 million additional children half of those currently without health insurance could receive coverage by the year 2002.

V< Welfare . In keeping with the promise he made after signing last year's welfare reform legislation, the President includes several initiatives designed to help welfare recipients find work, and restores some of the benefit cuts in last year's welfare reform bill. The budget provides $3 billion in new grant money to help States and cities move one million welfare recipients into jobs. The President also proposes to add to the current Work Opportunity Tax Credit (WOTC) to create incentives for businesses to provide new job opportunities for long-term welfare recipients.

In addition to helping low-income people find work by expanding discretionary spending in the areas of transportation, job training, and adult education, the President restores $16 billion funding for several programs cut in last year's welfare reform bill. Among the proposed restorations: longer food stamp benefits for childless unemployed people, changes to the standard deduction and other allowances, and SSI benefits for the estimated 200,000 legal immigrants who have become disabled after entering the country. "0-...XX/"

\< Spectrum. The budget includes $36.1 billion over 5 years in spectrum auction proposals. Of that amount, $18.3 billion would be derived from the auction of the analog broadcast spectrum. Also proposed is an expansion of FCC's authority to auction spectrum for personal communication services that would generate $17.1 billion in revenue, and a new generation of toll-free "888" vanity telephone numbers estimated to yield $700 million over 5 years.

\< Student Loan Program Reforms. While affirming the right of schools to choose between the Federal Family Education Loan (FFEL) Program and the Direct Student Loan Program, the budget proposes net savings of $3.47 billion. To reduce student borrowing costs by $1.4 billion, the budget would cut origination fees for both programs. The plan would also extend the flexible repayment and consolidation options available to Direct Loans borrowers to FFEL borrowers, thus continuing efforts to provide similar terms. The President would derive $4.5 billion in savings by requiring the guarantee agency and lender system to be performance-based, thus maximizing incentives to reduce student defaults. About $2.5 billion of these savings come from the proposed recall of guarantee agency reserves.

\< School Construction . To stimulate State and local efforts to renovate and construct new school facilities, the President requests $5 billion in 1998. This new program will address the need to correct safety problems, modernize schools to use technology, create more space for growing enrollment, make schools accessible to the disabled, and install energy efficient climate control systems. The administration hopes to use this $5 billion to leverage more than $20 billion in actual repairs and construction by subsidizing school construction bonds and other local financing mechanisms.

\< America Reads. Recognizing literacy as the foundation for academic achievement, the President has issued a challenge to the Nation that all children read well by the end of third grade. Two parts of this $1.2 billion proposal are to be funded with new mandatory spending: America's Reading Corps designed to create reading specialists to train and supervise one million tutors who would provide youngsters help, and Parents as First Teachers a program that would provide training to parents through local community and national groups.

\{(< Middle Class tax relief . The centerpiece of the President's tax

proposals is the $87 billion Middle Class Bill of Rights which, as it did last year, contains three key proposals: a $500 credit for children under 13, the HOPE Scholarship tax credit and other education and training tax incentives, and expanded access to Individual Retirement Accounts (IRAs). Other significant proposals "0-...
XX/" in this category include: a welfare-to-work credit, a $500,000 capital gains exclusion on home sales, a package of tax incentives for investment in distressed communities, and targeted estate tax relief for small businesses.

\< Eliminating unwarranted benefits and tax loopholes. The budget plan includes a variety of proposals to modify or eliminate various tax breaks. Most of these items were included in last year's budget. Among the major items: various limits on the use of the dividends received deduction (DRD), requiring the use of average-cost basis for stocks and securities, modification of the loss carryback and carryforward rules, replacement of the sales source rules with activity-based rules, and changes in the allowable inventory accounting practices. Unlike his previous year's proposal, the President declined to specify effective dates for these measures. Instead, he suggested that the effective date be the date of first congressional action a move that has calmed jittery financial markets.

================= END ATTACHMENT 2 =================

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Mail-Server ( Mail-Server@CLINTON.AI.MIT.EDU@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:10-FEB-1997 23:07:00.00

SUBJECT: 1997-02-10 President Speech to Maryland State Legislature

TO: Jeffrey H. Cohen ( Jeffrey H. Cohen@EOP [ UNKNOWN ] )
READ:UNKNOWN

TEXT:

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release February 10, 1997

REMARKS BY THE PRESIDENT

TO THE MARYLAND STATE LEGISLATURE

State Capitol

Annapolis, Maryland

11:20 A.M. EST

THE PRESIDENT: Thank you all for that wonderful reception.

Thank you, Mr. Speaker, for what you said. Thank you, Senator Miller, for that 10-year walk down memory lane. (Laughter.)

It is true that when I met his mother I fell in love with her, even before I found out she had 10 kids. (Laughter.) It's not often you meet a person who can elect you if her family votes for you. (Laughter.)

Thank you, Governor Glendening, for your leadership here on so many issues. Lt. Governor Kathleen Kennedy Townsend, Attorney General Curran, Treasurer Dixon, my old friend, Comptroller Louie Goldstein. I was in the first grade when he became Comptroller. (Laughter and applause.) The walking argument against term limits, you know. It's amazing. (Laughter and applause.)

I'd like to thank so many members of your very distinguished congressional delegation for joining me today -- Senator Sarbanes, and Senator Mikulski; Representative Wayne Gilchrest, your Congressman; Representative Connie Morella; Representative Ben Cardin, Representative Al Wynn and Representative Elijah Cummings.

Now, I know that Ben was formerly the Speaker here, and that Al and Elijah and Connie and Senator Sarbanes were all members of this body. It kind of makes you wonder how Senator Mikulski and Congressman Gilchrest got elected to Congress. (Laughter.) It's obviously a good training program here. (Laughter.)

I'd like to thank the President of the Maryland State Board of Education, Christopher Cross, for being here. When he worked for President Bush, he and I stayed up all night one night, writing the national education goals, which began the process which bring us to this point today. Thank you, sir, for being here. And I'd like to thank your State Superintendent of Education, Nancy Grasmick, for being here.

Then, there are two people who are not here, who are here with us in spirit, and I would like to ask that we all remember them today -- our good friend, Congressman Steny Hoyer and his late wife, Judy, who was one of the finest educators this state ever had. And I know we miss them today. Steny and his family are in our prayers, and we are grateful for the dedication of Judy Hoyer's life to the children and the people of Maryland.

I would also like to say I'm very glad to be here with two members of my Cabinet, Secretary of Education Dick Riley and the Secretary of Health and Human Services Donna Shalala. They have served our administration and, more importantly, the American people, exceptionally well, and I thank them for their presence here today. And when I finish talking, if you want anything else, call them. (Laughter.)

I should also say, since Senator Miller mentioned it, that my college roommate, who lived on the Eastern Shore, Tom Kaplan, is here. And he's still my friend after all these years, which is either a great tribute to his patience or to the roots and values of the people of Maryland. So I'm glad he's here.

I wanted to come here today to talk in greater detail about the issues I discussed in the State of the Union that require us to prepare America for the 21st century. It is important that we gather here at this turning point in our history. It was, after all, in this state house that George Washington resigned his commission as General of the Continental Army. In fact, it was right down the hall in the Lieutenant Governor's Office that Thomas Jefferson wrote George Washington's words of resignation.

It was here that the Treaty of Paris was prepared and ratified, ending the Revolutionary War and beginning the greatest experiment in democracy and opportunity the world has ever known.

Just think what began here in this building. What an experiment it has been. All the turmoil we have survived -- the Civil War, the two world wars, the Cold War, the social upheaval -- all the triumphs of our country in civil rights and women's rights, the environmental movement, workers' rights, bringing in all the immigrants, the explosion in science and technology, the political, the economic, the social achievements of this country. What an incredible experiment it has been since the events of so long ago when the treaty ending the Revolutionary War was signed and ratified here.

At each step along the way, how did we keep growing, how did we overcome, how did we work through, how did we reach higher? We always had responsible citizens. We were always able to come together as one country. And we were always driven by a clear vision.

I would argue to you that we are at another turning point today and we need responsible citizens, a united country, and a clear vision. We face a moment of peace and prosperity, and it gives us an extraordinary opportunity to actually decide what kind of future we want for America in the 21st century, and then go to work to build it. It is very important that we understand that such moments are extremely rare in our history.

We have perhaps had only one before. After World War II, we dominated the world economically. We were the most powerful country in the world militarily. We had some ability to decide our future and, thank goodness, we did the right thing with the Marshall Plan and rebuilding Europe and Japan, our former friends and our former foes. But we were constrained by the Cold War.

At the beginning of this century probably is the time most like this one when we entered the Industrial Era as a powerful and wealthy country at peace. But never have we been quite like this, as the world's only superpower, just completing four years where we produced more new jobs than at any other four-year period in our history, looking toward a world that is full of troubles, to be sure, but so full of explosive opportunities.

We have an incredible responsibility -- we in America and you in Maryland. Thanks to the leadership of your Governor, and the work that all of you have done, unemployment's at a six-year low, things are going well for you here. Your family incomes have risen to fourth in the nation. Your welfare rolls have dropped almost 25 percent since 1995. Student achievement has risen and more schools are meeting the high standards you have set. We are well positioned.

But it is a moment of choice. We cannot afford to squander this moment in complacency or division. That's normally what happens to people when they sort of get happy and satisfied. They get complacent or they fall out over little things. And this is not a time for us to squander in petty bickering or small ambitions. This is a time for us to build a new century.

We have to meet all the challenges we still have. There are still too many poor children in this country and too many lives of children being lost on the streets of America every day. There are still too many of our areas in our cities and isolated rural areas that have not felt the uplift of the economic recovery. We still have not balanced the budget. We still have not finished all the unfinished business of the Cold War. Not everybody who works hard is feeling the opportunities that are available in America. We have unfinished business.

Then we have new challenges that we have to face. We have to prepare for the aging of the baby boomers. I know I'm the oldest one; that's a self-interest plea here, I think. (Laughter.) We have to prepare for the aging of the baby boomers. We have to make sure that we're ready for this new worldwide competition. We have to meet the new security threats of the 21st century, in terrorism and ethnic and religious and racial conflicts. We have to meet the new environmental challenges of the 21st century, most of which will be global in nature.

So there are challenges out there. But the most important thing is, there are staggering opportunities. More people will have more chances to live out their dreams than any people who ever lived in the history of the Earth if we do the right things. (Applause.) If we do the right things. (Applause.)

We have worked for the last four years essentially to try to make sure America works again, that we are functioning at a reasonable level of proficiency so that we can have the freedom to do that, to shape our future. And we changed the economic course of this country away from supply-side economics to investment economics, to move toward a balanced budget, to reduce the deficit, the interest rates, to expand our trade around the world and to invest in our people. The results have been good.

We've tried to move the debate over social policy in Washington away from rhetoric to reality, centered on families and communities. You've got now five years of declining crime. You've got the biggest drop in welfare rolls in history. You've got real efforts being made through the family leave law and other things to help people succeed in raising their children and in the workplace. We're in a position now to know what works and to know that we can have confidence that if we work together we can make a difference in assaulting our most profound challenges here at home.

We've tried to define the role of government away from the old fight that's dominated America almost ever since World War II, to say government is not the problem, government is not the solution; government's job is to create the conditions and give people the tools to solve their problems and make the most of their own lives. (Applause.)

So now we have this chance. And it's hard when you're not threatened by a foreign enemy to whip people up to a fever pitch of common, intense, sustained, disciplined endeavor. But that is what we must do, my fellow Americans. That is what we must do.

We are strong enough to shape a future that will take advantage of all this life-enhancing technology, of these new economic opportunities, of the new opportunities we have to build a structure of peace around the world, of the new opportunities we have to put the Information Age at the fingertips of the poorest, as well as the wealthiest children in our country, and we had better do this. Our children and our grandchildren will never forgive us if we blow this chance to make their future the best future -- (applause).

It is obvious that to prepare our people for the 21st century we will need a new, more far-reaching, deeper partnership in America. The era of big government is over, both because we can't go on running national deficits till the end of time and because the nature of our problems requires a different approach. But the era of big national challenges is far from over. It will never be over. And the ones we face are very big, indeed.

National leadership can point the way. It can move barriers out of the way that have prevented our states, our cities, and our people from solving their own problems. But the real responsibilities of building this future are ones we all must bear together. I will do my part. I will do what I can to see that the national government does its part. But, in turn, you must work with me and with others to make sure that we seize this opportunity while we stand strong enough to do so.

Today I want to talk about two critical areas: giving our children the best education; and finishing the job of welfare reform, breaking the cycle of dependency, moving millions of more people from welfare to work. Taken together, these issues really are at the core of our national mission to prepare America for the 21st century.

Everyone must have the tools to succeed in the knowledge economy; that means education and training. Everyone willing to work hard with those tools must have a chance to do so. That means finishing the job of welfare reform. Education and welfare reform are about bringing all Americans to the starting line of the economy, then making sure all of them are ready to run the race. Our number one priority must be to ensure that America has the best education in the world.

(Applause.)

I cannot add much to the statement we made so long ago in the National Education Goals seven years ago now, almost eight years ago. But my shorthand statement is every eight-year-old has to be able to read, every 12-year-old should be able to log on to the Internet, every 18-year-old should be able to go to college, and every adult American should be able to keep on learning for an entire lifetime. That should be our goal. (Applause.)

Because our future was at stake in the Cold War, we had a bipartisan foreign policy. Politics stopped at the water's edge. Well, now our future is at stake, in large measure depending upon whether we can give all of our people world-class education. Therefore, we must have a nonpartisan commitment to education, and politics should stop at the schoolhouse door in the 21st century. (Applause.)

It is not enough for members of Congress and members of the state legislatures and elected executives to embrace this commitment. Our businesses, our educators, our parents, all our citizens must make the same commitment. I'm gratified that you have a number of Maryland parents and teachers and businesspeople committed to education here today. I thank them for being here and I thank you for inviting them.

In my State of the Union address, I laid out a 10-point call to action for American education, which is embodied in this booklet. And I want to say just a few words about a number of issues today and then focus on one in particular. And I want to thank the State of Maryland for taking the lead in doing so many of the right things. A lot of you have worked with me going back long years in the past when I was a governor on these educational issues, and I thank you for what you've done.

First, every child has to be able to read independently by the third grade. I'm pleased that the University of Maryland at College Park has already pledged more than 2,300 of its students to work as reading tutors over the next five years. That is a great thing. (Applause.) We're going to use 35,000 of our AmeriCorps volunteers to help to try to mobilize a million of these students. We think we can get at least 100,000 out of the new work-study students approved by Congress in the last budget. Then all the schools have to make use of volunteers once they are trained. But we have to do this.

You just think about it. If 40 percent of our children can't read at grade level, how in the wide world do we expect them to learn algebra, trigonometry, calculus, physics, biology, chemistry. It is very important. Unless we get this done, the rest cannot happen. And it is going to take a national effort of monumental proportions to do it. But we can do it, because the children can do it. The children can do it. They just need for us to do our job and they then will do the rest. So I want you to help us to finish that job. (Applause).

We must expand public school choice. And Baltimore City has done that through its charter schools. We must rebuild crumbling schools. And you heard the Governor say that's a priority for him as well. We must make it possible for all of our children to have access, the same access, in the same time, to the same knowledge. That's what hooking up all these classrooms to the Internet is all about. And I thank Maryland for its commitment to that objective. (Applause.)

In the last four years we have opened the doors of college wider than ever before -- through the direct college loan program and expanded Pell Grants, 200,000 more work-study positions, and the AmeriCorps program. But we have to do more. And I am very pleased, Governor, that you have proposed these state HOPE Scholarships to open the doors of college.

I just came back from Georgia -- Secretary Riley and I went to Augusta -- 230,000 people in the state of Georgia who maintained a B average have had their tuition and their schoolbooks paid for by the state HOPE Scholarship program. In a representative crowd there, I had person after person after person of all ages, telling me, I was a HOPE scholar; I had a chance to go to college; I never could have done it otherwise; I wouldn't have made it otherwise.

There is no better expenditure of our money. It will raise the per capita income of this state more quickly, it will get over inequalities in income groups more quickly, and it will bring people together for a stronger future more quickly than anything else.

So I applaud the proposal you have put before the legislature here, and I also tell you I will do my best to pass our national version of the HOPE Scholarship to give a tax credit of $1,500 for two years -- that's the typical cost of community college tuition -- and a tax deduction of up to $10,000 a year for the cost of tuition for any education after high school. This will make a difference. (Applause.)

We also propose making the IRA available to more savers, and then let people withdraw from their IRA tax-free if the money is used to pay for education -- and the biggest increase in Pell Grant scholarships for needy students in 20 years. And our G.I. Bill for America's Workers would take the 70 different federal programs for job training, put them in one block, and send a skill grant to an unemployed or an under-employed worker and say, here, you take it to the nearest institution of education and get the training you need. Nearly every American lives within driving distance of a community college or another community-based university or educational institution that can provide the training today that all people know they need to have a better future.

So we need to do these things together, and they will make a big difference. I also believe we have to teach our children to be good citizens as well as good students. And I'd like to thank the Lt. Governor for supporting the statewide program of character education you have here, to have a statewide code of discipline, to remove disruptive students from the classroom, to promote community curfews. And again, I thank you for being the only state in America to require community service to graduate from high school. You have the first class of seniors graduating today -- that's a good thing. That's a good thing. (Applause.)

To give you some idea how long it takes for some of these things to catch on, 10 years ago, in 1987, the then Republican Governor of New Jersey, and now the president of Drew University, Tom Keane, and I co-chaired a Carnegie Commission study on middle school, and one of our recommendations was that national service should be a requirement for public school students. People should learn that they are connected to others in their community and make it a positive, good, wholesome thing. Only Maryland has done it so far. But I certainly hope -- perhaps my presence here will help -- I hope other states will follow your lead. This is an important part of building a common future for America. (Applause.)

Let me say the most important thing we can do in education is to hold our students to high standards. Children will grow according to the expectations we have of them. They cannot be expected to know what it is they should know, or even how high they can soar until we give them the right set of expectations. When 40 percent of our 3rd graders are not reading as well as they should --or to put it in plain language, when 40 percent of 8-year-olds cannot read a book on their own that they ought to be able to read, we have a lot to do.

When students in Germany or Singapore learn 15 to 20 math subjects in depth each year, while our students typically race through

30 to 35 without learning any in depth in a given year, we aren't doing what we should be doing to prepare them for a knowledge economy that demands that they be able to think and reason and analyze -- in short, demands that they be able to learn for a lifetime of working in ways that have not yet been invented, perhaps not yet even imagined. This is impossible without a good foundation in the basics.

Maryland is making a good start. You've developed clear standards for what children should learn by the 3rd, 5th, and 8th grades, in particular, in reading and math, and clear tests to measure them, school district by school district, and school by school. You're holding schools accountable for making the grade, rewarding excellence, intervening in schools that aren't performing. Because you have set high standards, you have seen five years of steady, sustained progress towards meeting those standards.

But Maryland and all other states must do more. To compete and win in the 21st century, we must have a high standard of excellence that all states agree on. That is why I called, in my State of the Union address, for national standards of excellence in the basics -- not federal government standards, but national standards representing what all our students must know to succeed in a new century. I called upon every state to test every 4th grader in reading and every 8th grader in math by 1999, according to the national standards, to make sure they're being met.

We already have widely accepted rigorous national standards in both reading and math, and widely used tests based on those standards. In reading, Maryland and more than 40 other states have participated in a test called the National Assessment of Education Progress, or all of us educational junkies call it the NAEP test. It measures a state's overall performance against a high national standard of excellence. It's a good test. In math, tens of thousands of students across our nation have already taken the Third International Math and Science Survey, called the TIMSS test, a test that reflects the world-class standards our children must meet for the new era.

As I said in my State of the Union, last month Secretary Riley and I visited northern Illinois, where 8th grade students from 20 districts took the test and tied for first in the world for science, and second in math. We know it is the world standard, and we know the world standard is the right standard to which we should all hold ourselves.

Unfortunately, these kinds of tests -- both the Assessment of Education Progress for the 4th grade reading test, and the Third International Survey in Math and Science for the 8th graders -- do not provide individual scores; they only measure how an entire state is doing. What we need are tests that will measure the performance of each and every student, each and every school, each and every district, so that parents and teachers will know how every child is doing compared to other students in other schools, in other states, in other countries -- not just compared to them, but, more importantly, compared against what they need to know.

It is a false thing to compare all kids against one another unless all children are first held to a high standard. That's what we want to know. That's the only thing that really matters. That is why I'm presenting a plan to help all students in all states meet these standards and to measure them.

Over the next two years our Department of Education will support the development for new tests for 4th grade reading based on the National Assessment of Education Progress, and 8th grade math based on the International Math and Science Survey, to show how every student measures up to existing, widely accepted standards. These tests will be developed by independent test experts in consultation with leading math and reading teachers. The federal government will not require them, but they will be available to every state and every school district that chooses to administer them. I believe every state must participate and that every parent has a right to honest, accurate information about how his or her child is doing based on real, meaningful national standards. (Applause.)

Now, already in the last week I have heard some people saying, sounds like a federal power grab to me. That's nonsense. We will not attempt to require them, they are not federal government standards, they are national standards. But we have been hiding behind a very small fig leaf for very long, and the results are not satisfactory. Anybody who says that a country as big and diverse as ours can't possibly have national standards in the basics -- I say from Maryland to Michigan to Montana, reading is reading and math is math.

No school board is in charge of algebra, and no state legislature can enact the law of physics. And it is time we started acting the way we know we should. (Applause.)

There's another thing that will be said, now, and that you will have to confront, because I know how much -- I've been through a zillion state legislative sessions; everybody's got a new idea and everybody wants more money and there's never enough to go around. And you will be told -- and it is true -- that we have lots of standardized tests. That's true, there are lots of standardized tests, but there is no national test testing the standards. That's a very different thing. There is no national exam given to all of our children that says, here's what a good fourth grader ought to learn.

Keep in mind we don't want Johnny to make a better score than Mary on this test. We want 100 percent of our kids to pass this test. And then, when a lot of them don't, we don't want to give them an F, we want to give them a hand up. We want to say, we haven't done what we should, and we're going to do this. (Applause.)

It is amazing -- you know, we take it for granted we have the best military in the world. Think how silly it would be if everyplace in America where we do basic training, they said, well, you know, Louisiana is a long way from Georgia; we couldn't have possibly have uniform standards for basic training in the military; just sort of come up with whatever you think will be good, and we'll hope it works the next time we're in the Persian Gulf. (Laughter.) You're laughing.

That's what we do. And even if you do the very best you can, we don't know the truth. It's wrong for these children not to know the truth. This is not a put-down, now, this is a lift-up.

We've got the most diverse democracy in the world. We have four school districts now where the children's first languages comprise over 100 different languages -- in four school districts in America. Who are we kidding that we're going to create the kind of country we want, where everybody's got a chance to make it, when we haven't even taken the first elemental step to say, here's how everyone should read by the 4th grade, here's the math everybody ought to know by the 8th grade.

There is more to do after that, but let's start with something that really matters. We've never done it. This has nothing to do with local control of education. Secretary Riley has done more to get rid of federal rules and regulations, to give states and local school districts more control without the rules and more flexibility than anybody has in a long time. But no matter how much flexibility you have, sooner or later your children are going to have to face the fact that they either can read or they can't, they either can do math or they can't, they know algebra or they don't. And if we play around with all these games and hide-and-seek excuses, in the end the only people that are going to be hurt are those kids, and the rest of the country will pay the price from now on. And we've got to stop it. (Applause.)

I want to give you two pieces of good news, one of which you can be especially proud of. You all know that the business community has been calling for this for a long time. Governor Glendening was recently with the other governors last year at an education summit in New York with the business community, and they were saying we have to have standards. Today I'm proud to say that the National Business Roundtable is endorsing our call for national tests for 4th grade reading and 8th grade math. They will join our crusade to make American education the best in the world. And I want to thank especially Norm Ogestein, who is the CEO of Lockheed Martin and the head of the Business Roundtable's education task force, and who has done a lot to help you in Maryland with your schools. (Applause.)

Just before the speech today, your State Board of Education Chairman Chris Cross told me that the State Board of Education intends to incorporate these new tests of national standards into your state's program. And I thank you, sir, for that, and I thank you for that. (Applause.)

Let me say that throughout my public career I have been very interested in this whole issue of education. There are lots of other things I'd like to talk to you about today. I hope you will support the work that we are doing with the National Board of Certification for Master Teachers, to certify teachers in educational excellence. Governor Hunt from North Carolina has been working on that for years, and we certified the last teachers -- the first teachers in 1995, but only 500 since 1995. We believe we need at least one master teacher in every school district, hopefully in every school in America

-- someone who has been through the special, rigorous program of training and evaluation here so that then that teacher can share what he or she has learned with all the other teachers in the school. Our budget contains enough funds -- and it's a relatively low-cost program -- to provide for another 100,000 master teachers in the next four years. So I hope you will support that as well.

But let me say -- I guess you can tell I feel strongly about this, but I have spent a lot of time in our schools, a lot of time listening to teachers, a lot of time listening to parents. I've worked harder on this issue over the course of my public life than anything else because it has a unique role in our history and an even more powerful role in our future. It is, of course, the key to individual opportunity. It is also the key to responsible citizenship. I am convinced it is the key to giving us the understanding we need to live together as one nation in the midst of all of our diversity. It is also the key to maintaining our world leadership for peace and freedom and prosperity. Only if every American has the full use of his or her mind can our country move forward together.

So I hope that all of you will keep this in mind. I hope that you will push this, and I hope you will lead the way. I want to be able to take this crusade across the country and tell people if they don't believe we can do it, call Maryland. You have the courage to do it. Stand up. (Applause.)

Now, let me just say a couple of words about welfare reform, because that's very important. For years and years and years, all the governors -- I was one of them -- said we want more control over the state's welfare system; we want to do that. We could reform the welfare system. We could make it work. We could end the culture of poverty and dependency. Well, you got it. (Laughter.) And this has got to be a focus of your efforts now, because this is very, very important.

We ended the old welfare system basically in two steps. First of all, in the last four years, Secretary Shalala and I worked with 43 of the 50 states to launch welfare reform experiments which, along with a growing economy and a 50 percent increase in child support collection -- something I'm very proud of -- helped to reduce the welfare rolls by 2.25 million; that's the biggest drop in welfare rolls in the history of the country -- an 18 percent drop. You can be proud of that and proud of what you did. (Applause.)

Here in Maryland you did better than the national average. You used your waiver to move 51,000 people off the welfare rolls, and you had about a 25 percent drop. And you can be proud of that. (Applause.)

You also answered my call to revoke the driver's licenses of people who deliberately -- who can and don't pay their child support. And I think that's a good thing. We're going to do more to collect child support. We can move 800,000 more people off welfare tomorrow if people just paid the child support they owe and that they are capable of paying. So I thank you for that. (Applause.)

Now we come to the hard part. The new law, supported by the governors and all state associations, says that every able-bodied person on welfare must move to work within two years; that the states can have a little cushion fund to support those who can't move into the work force either because they're disabled or because the economy is not so hot.

But now, think of this challenge. In the last four years, 2.25 million people moved from welfare to work in an economy that produced 11.5 million jobs. That's a record for any four-year administration. We have to do at least that well in the next four years. That reduced the welfare rolls by about 20 percent, 18 to 20 percent.

So you've got about 10 million people left and about --maybe a little more than 10 million -- and about 4.5 million of them are adults, and about 4 million, anyway, are going to be able-bodied and able enough to physically work. And then there will be some moving in and out of the work force. There always is, as people retire and all. But through deliberate efforts we're going to have to create at least 2 million jobs. And if we don't do it, what will happen?

Keep in mind, this welfare reform bill has this ringing declaration: Everybody who can work, everybody who's able to work has to take responsibility for their own lives. No more permanent dependency. Full of moral precepts. Well, the morality shoe is now on the other foot. Those of us who supported that, we now have a moral obligation to say, everybody we told, "you have to go to work" actually is able to work. Because if we are not able to do that, then the law's consequence will not be to liberate people from dependency, but to make people who are dying to go to work even worse off just because they couldn't find a job.

This is a serious, stiff challenge. And the challenge is primarily on you and the employer community, which is the way you said you wanted it. But it's there now. You know that great old country music star, Chet Atkins, used to say, you got to be careful what you ask for in this life; you might get it. So here it is. What are we going to do? Is there a way out? Yes, there is. Can we do this? You bet we can. You bet we can. We can do it, but we have to do it together. And we have to do it with discipline.

And we need a plan. And it needs to go down to every community. And we're going to have to ask people to help. And you need to really closely follow your numbers and make sure you're doing what it takes to be done.

How are we going to do it? First, we have to pass the federal program that I recommended, which will give tax credits to private employers of up to 50 percent up to $10,000 to hire people -- only if they hire people from welfare to work. And then we have to support the provisions of the welfare reform law which continue the health care, continue the nutrition, and provide much more money for child care than the previous law. That's the good news.

This legislation also gives you the authority for the first time to take money that had been used on welfare checks and give it to private employers as a wage or training supplement. Now, this can be very important in convincing nonprofit employers, who don't pay taxes anyway, to hire people off welfare and make an extra effort. All the community nonprofits, every church or other religious organization in the state of Maryland, of any size, without regard to their faith, they're all under an admonition to care for the poor. Now you can say, we'll give you a little money to help if you will do the rest.

Missouri had a program like this in Kansas City, where they gave the welfare check to private employers for more than a year -- they could keep it for a couple years -- as a wage and training premium if they would hire people off welfare. I met a man who had a data processing storage company with 25 employees, and five of his employees he'd hired from the welfare rolls, and he loved it. And they loved it.

And if we can do it, it is better to hire people in small groups or one on one, because you're trying to lift people out of a culture of dependency into a mainstream culture of work. But this man was willing to do that. And they have to pay about $1.75 above the minimum wage to get the wage subsidy there and to give people a living income. But still it costs them less than the minimum wage to do it.

Florida has just decided to follow suit. And I hope other states will follow that lead. You've got to -- believe me -- to meet these job targets, your employer community is going to need every last option you can give them. And somebody's got to have a plan, I mean a game plan, that challenges every sector and every community to do what has to be done. So I urge you to use the flexibility you have been given to do that.

Secondly, I urge you to make sure that the money you have saved from welfare reform will be used to move even more people to work. I know Maryland has taken its considerable savings from welfare reform efforts and put them into a special rainy-day fund to create jobs and to move people from welfare to work. And that's something other states ought to copy, because if welfare reform is going to succeed in the beginning, all states are going to have use those savings on efforts like child care, wage subsidies, employment incentives, or other ways to create private sector jobs.

Let me just say one other thing. I hope as you do this, you will not forget sort of a parallel population not on welfare, and those are young, single men who are unemployed who are eligible for food stamps but not welfare. Keep in mind, their loss to the work force is an enormous loss to our society. It leads to higher crime. It leads to fewer two-parent families. It leads to robbing them of the potential of what they might become. And a lot of places now are beginning to try to -- instead of talking just about the welfare population -- the young unemployed population so that these young single men can be treated in the right way, too.

And in Missouri, what they did, we gave them a waiver, and they actually took the food stamp payments for the young single men and gave them to employers with the same sort of incentive as the welfare payments for young women going from welfare to work. So I urge you to think about that.

Finally, let me say, what is our vision? I can tell you what my vision -- why do we do all this? Here's my vision. Here's where I hope we'll be in a few years. I hope all over America in a few years, we will have a community-based employment family support system for people who are out of work, and people will come into this system whether they come off the welfare rolls or off the employment rolls through the unemployment rolls, and we won't make a distinction. It will just be good people with kids or without kids, depending, who are out of work who need to get back into the work force. And we'll have a system for moving them back in, and we'll have a system of subsidies for people at the margins so that employers will be encouraged to make that extra effort to restore people to the dignity of work. And meanwhile, we'll always be helping people support their children in fulfilling their first and most important job.

Now, that's my vision. That's what I hope we would get out of this welfare reform effort. But the next two years are going to be critical, because about two years from now, people are going to start running out of their two-year time limit, and then the spotlight will shift from all of them to all of us. And we will be asked, what did we do when the welfare reform bill passed. What did we do to make sure that those we told you have to go to work had the chance to go to work. So I urge you to think about this.

This is exciting, but it's bracing; because our society has never done anything like this before in ordinary times. And I do not believe that when the bill passed, people had really focused on the dimensions of the challenge. I had, and I was willing to make it. I'm willing to try to -- to jump off this cliff, to hold up this high standard. I think we can do this. I think we can develop a work-based society that does not have people trapped in permanent dependence. But it's going to take everybody thinking about it, working on it, and doing things they had not done in the past. And so I ask you to do that. (Applause.)

I just want to make one final point the Governor's already mentioned. I know Maryland is considering using its own money to continue providing some basic benefits for legal immigrants who have lost federal aid now that the federal bans have taken effect. That's the right thing to do, but you shouldn't have to do it all by yourself. That's why every state and every governor -- Republican or Democrat -- I hope will join with us to try to persuade the Congress to restore just the basic health and disability benefits that used to be available until this new law passed when misfortune strikes them. (Applause.)

The argument made by the majority when they passed this was, when an immigrant comes to America, you've got to sign a piece of paper that says you're not going to take public benefits. Now, that's an understandable policy. We shouldn't be inviting people to come here just to get on welfare or to get on Medicaid or Medicare. But we can solve that, and did, by simply saying that every immigrant has a sponsor, and the sponsor's income will be deemed the immigrant's income until the immigrant becomes a citizen. That's the way to solve that.

But if you have all these immigrants coming here, and even before they can become citizens -- suppose an Indian from New Delhi comes to Maryland to develop computer software programs for one of your growing businesses, and stays here three years, and has a one-year-old child and a three-year-old child. What does that person do if he or his spouse gets hit by a car, or is the victim of a crime, or one of the children is born with cerebral palsy, and they don't have regular health care that will take care of all these things.

So what do we say? Tough luck? You had misfortune? Yes, you've worked hard; yes, you've paid your taxes; yes, you've been perfectly legal; yes, you've complied with every provision of the law; yes, you didn't try to sneak in our country, you waited your turn just like everybody else. But I'm sorry. Yes, we took the benefit of your brain. You made us a richer, stronger country. We wanted you in here. You had skills we needed. But I'm sorry. This is wrong, folks. This is unworthy of a great nation of immigrants and we ought to fix it. (Applause.)

When you get right down to it, all this business about education reform and welfare reform, and what do we have to do to prepare our country for the 21st century, and will we have the discipline, strength and courage to take advantage of this unique moment in history -- it really comes down to two questions: What does America mean, and what does it mean to be an American?

America must always be a nation becoming. We're never there; we're always becoming -- becoming a more perfect union, full of new promise for our own people and new hopes for the world. And what does it mean to be an American? We're the ones who have to make that happen.

Thank you and God bless you. (Applause.)

END 12:16 P.M. EST

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IF9NW9ZQG000J036@PMDF.EOP.GOV> for Jeffrey_H._Cohen@oa.eop.gov; Mon,
10 Feb 1997 23:07:46 -0400 (EDT)
Received: from cinnamon-life.ai.mit.edu by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA11234; Mon, 10 Feb 1997 23:07:44 -0500

Received: from CLINTON.AI.MIT.EDU (clinton.ai.mit.edu [128.52.33.14])
by cinnamon-life.ai.mit.edu (8.8.5/8.8.5AI/cinnamon-life.ai.mit.edu:1.3)
with SMTP id WAA15099; Mon, 10 Feb 1997 22:06:02 -0500 (EST)
Date: Mon, 10 Feb 1997 21:46-0500
Errors-to: Mail-Server@clinton.ai.mit.edu
Precedence: Bulk
Delivered-By-The-Graces-Of: White House Electronic Publications
Document-Id: PDI://OMA.EOP.GOV.US/1997/2/10/7.TEXT.1
Keywords: Business, Civil-Rights, Culture, Defense, Economy, Education,

Fiscal-Policy, Florida, Foreign, Georgia, Illinois, International-Cooperation,

International-Security, Louisiana, Maryland, Michigan, Mid-Atlantic-Region, Midwest-Region, Missouri, Montana, Mountain-States-Region, New-Jersey, New-York, North-Carolina, President, Security, Social, Social-Values, South-Region, Technology, Topical-Remarks, Voluntarism, Welfare

================= END ATTACHMENT 1 =================

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Ann T. Eder ( Ann T. Eder@EOP@LNGTWY@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:12-FEB-1997 11:40:00.00

SUBJECT: Education Initiatives

TO: Floydetta McAfee ( Floydetta McAfee@eop [ UNKNOWN ] )
READ:UNKNOWN

TEXT:
Message Creation Date was at 12-FEB-1997 11:40:00

Doris is going to be doing a report on the education initiatives and how

they

impact our communities differently and what we can do to get the message

out.

The education community is so cross-cutting that we are trying to examine

where

are our groups are the same and where they are different.

The education community may have one opinion which may or may not be the

same

as the disability/special ed, African American, Ethnic American, or even

the

student community may have. (Despite the fact they are all included in

the

larger "education community" as a whole) In addition, where do groups like

business weigh in on education issues?

We would like to begin collecting the information next week--you can

e-mail it

to me.

Please start thinking about these 3 things:

A. What you will be doing with your communities surrounding the education issues.? (Long Term)

For example: including it in which briefings, mass faxing information to who, including organizations in education events, conference calls, etc.

B. HOT ISSUES. Any issues--both in support of OR in conflict to Admin. policy that your groups may have

For example: Most of the ed. groups are vehemently against vouchers, as are we--like many organizations, we favor Charter Schools. A few groups support our Charter Schools position as a good alternative but a are not fully on board. There is a mutual interest in working together to discuss our differences.

Key issues to think about are: Tuition Tax Credit and Deduction -- yes! they are different. (HOPE Scholarship)

Vouchers vs. Charter Schools

Uniforms in Public Schools

School Construction

School to work

I have background information on most of these issues if you need a

refresher

on the details of the Admin. Position.

C. Key groups that have an interest in ed. issues.

Think about it. Thanks!

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Mike_Smith ( Mike_Smith@ed.gov@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:16-FEB-1997 12:06:00.00

SUBJECT: Important Correspondence - February 12, 1997

TO: Barry White ( Barry White@EOP [ UNKNOWN ] )
READ:UNKNOWN

TO: Michael Cohen ( Michael Cohen@EOP [ UNKNOWN ] )
READ:UNKNOWN

TO: Robert M. Shireman ( Robert M. Shireman@eop [ UNKNOWN ] )
READ:UNKNOWN

TEXT:

fyi

______________________________ Forward Header

__________________________________

Subject: Important Correspondence - February 12, 1997

Author: Dianne Naber at WDCB01

Date: 2/13/97 09:38 AM

February 12, 1997

MEMORANDUM FOR THE SECRETARY

THE DEPUTY SECRETARY

THE CHIEF OF STAFF

FROM: Philip S. Link

Director, Executive Secretariat

SUBJECT: Important Correspondence Summary

Needs Personal Attention/Special Handling:

William L. Clay, Member of Congress, congratulates the Secretary and President Clinton for putting forth an outstanding education agenda for consideration. He asks questions and requests information on the Hope Scholarship tax credit and the $10,000 deduction plan. For example, he would like to know the number and percentage of students that would be eligible or ineligible for some tax benefits within the different income ranges, and how this would vary if the scholarship were made refundable, among other things. To OPE for signature of the Secretary. Copies to Mike Smith, Judith Winston, Frank Holleman, Sandy Rinck, OLCA, Budget Service.

Nancy S. Grasmick, State Superintendent of Schools, Maryland State Department of Education, invites the Secretary to join her and Governor Glendening on April 29, at the Maryland Blue Ribbon

Schools recognition ceremony where they also plan to announce an

extension to the Maryland Blue Ribbon Schools Program. To

Scheduling for appropriate handling. Copies to Mike Smith, Judith

Winston, Frank Holleman, Terry Peterson, Sandy Rinck, OLCA, OERI,

OIIA, Diane Phillips, Alan Ginsburg.

Should you wish to see a full copy of an incoming letter which

your office is not otherwise designated to receive, please do not

hesitate to contact Exec Sec, at 401-3067.=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

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RFC-822-headers:
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by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IFHGZ6AICW00LLXT@PMDF.EOP.GOV>; Sun,

16 Feb 1997 13:15:37 -0400 (EDT)
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id <01IFHGZ4PHWQ000045@STORM.EOP.GOV>; Sun, 16 Feb 1997 13:15:35 -0700 (MST)
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by oeri.ed.gov (8.7.5/8.7.3) with SMTP id KAA07565; Sun,
16 Feb 1997 10:29:37 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov (IMA Internet Exchange 1.04b)
id 30726390; Sun, 16 Feb 1997 10:22:33 -0500
Content-description: cc:Mail note part
================= END ATTACHMENT 1 =================

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: KRDimond ( KRDimond@aol.com@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:22-FEB-1997 19:43:00.00

SUBJECT: Skill Grants

TO: Melissa Green ( Melissa Green@eop [ UNKNOWN ] )
READ:UNKNOWN

TEXT:
MIME-Version: 1.0

Content-type: text/plain; charset=unknown-8bit

Content-transfer-encoding: 8BIT

February 22, 1997

Gene and Ken,

Following our discussion yesterday afternoon, let's try a different cut on

the options.

I. Common Ground

For starters, the three of us do have common ground in two vital respects:

All options, whether for dislocated or lower-income workers, should

complement and build on the non-skill grant, non-JTPA base of federal

support

for individual choice of education and training. I think this means that

all

of our options (and scoring) should assume that an individual gets the additional federal support for training proposed here only to the extent the person doesn't qualify for $3,000 in Pell Grant; and any additional training aid for an individual qualifying for a Hope Scholarship is limited to $1500 [assuming this is the way the Pell Grant and Hope Scholarship now interact...If not, then follow how they now interact for this policy and scoring assumption.] This "complementarity" is critical -- both for rationalizing the "tangle" of federal job training programs and for showing that all of the President's proposals for post-secondary financial aid work are designed to work in tandem. I think this also means that an individual who qualifies for a Pell Grant must be given the Pell Grant to spend where he or she chooses, rather than going into a JTPA funded contracted-training program.

Dislocated Workers will be served through a federally defined individual Skill Grant. The scoring of this option must take into account how many Dislocated Workers already qualify for Pell and Hope Scholarships. In a way, this is the "Prospective Income" fix to Pell proposed in November, plus presumably some non-degree training that wouldn't qualify for Pell (or Hope) because not in a degree sequence. We scored the Prospective Income change last November at approximately $1 billion over 5 years; whatever the

scoring
here, we will reserve the first dollars from DoL training funding to pay
for
this. The relatively low $$ amount and number of dislocated workers using this Skill Grant results from four facts: the screen of 8-12 weeks of job search eliminates a majority of eligibles; of the remaining pool, most who want to be served are already eligible for Pell Grants; of the remaining
pool
a majority do not choose to go for any training; and, finally, the
individual
federal grant leverages 1.5 times that amount in state-local funding on average for community colleges.

In any event, we can begin the final section of the Memo with a fundamental agreement: within the existing budget constraints, we can easily craft and pay for a federally defined Skill Grant for Dislocated Workers to assure
that
all workers who lose a job in any year and can't find a job after 8 weeks can get up to $3,000 in federal education/training financial aid to invest
in
the education or training each eligible individual chooses. I recommend
that
we go one step further on our mutual agreement here: we should propose that POTUS get the Dislocated Worker Skill Grant as a part of balanced budget reconciliation agreement (by making the same changes to Student Loans, just as we are recommending that POTUS do in achieving the Pell Grant Changes)

so

that the Dislocated Worker Skill Grant operates as a quasi-mandatory

program.

I also recommend that we explain to POTUS how this Dislocated Worker Skill Grant could be made into a real entitlement simply by shifting to the mandatory side of the budget; we should also note how Gebhart has proposed that we do the same thing with Pell Grants.) I believe there will be substantial political support for either the quasi-mandatory or mandatory Skill Grant for Dislocated Workers. Put another way, no one -- not even the Governors -- will dare to oppose POTUS on this. In addition to being an important symbolic victory for POTUS vision of individual purchasing power, this will also build the platform for FAST-TRACK: if this succeeds, we will already have put in place in the Balanced Budget Agreement federal support for a real training voucher for all dislocated workers, whether dislocated

by

changes resulting from trade, technology, or any other factor.

II. Non-degree training for low-income persons who don't qualify for a Pell grant.

I propose two options here -- a federally defined Skill Grant or a

federally

approved, state- designed Skill Grant:

Federally defined Skill Grant for non-degree training for

low-income

workers. For three years, Barry White, Mike Smith and Doug Ross have told me

unequivocally that we can craft a workable non-degree training category for Pell Grants. Ken, stop arguing that this can't be done and just authorize Barry to set up a reasonable design, eligibility criteria and screen; and then let him score it, for heaven's sake. If Ken is unwilling to authorize Barry to undertake this task, I know of no way to resolve this procedural impasse except for Gene to take this up directly with Frank or Erskine to get

any necessary authorization: We all have an obligation to place a real option

for a federally designed non-degree training skill grant -- with our best estimate of budget costs -- before the President for his review. This is a real Skill Grant, federally defined, put directly in the individual ,s hand, that will work hand-in-hand with the other components of federal support for

purchasing power: Pell Grants, Hope Scholarships and Dislocated Worker Skill

Grants. [And whatever the design, the funding can go through DoL if such bureaucratic B.S. matters in any way. I'd also be willing to have high school

diploma as a limiting screen, for the reasons stated below.]

Whatever Barry designs, I believe that the cost-saving factors

outlined in my previous memo will demonstrate that this federally designed skill grant can substantially increase the number of low-income workers who get these individual grants for the same federal budget dollars compared to the number of low-income workers now served by the confusing tangle of federal [i.e., JTPA-contracted] training programs. The issue is not how many individuals might not be served by such Skill Grants: it is how many more can be served by this new approach to individual grants the President wants than under the JTPA-contracted system that he is trying to replace. It is surely no argument against this option that the availability of such individual Skill Grants (and Pell grants) will increase the demand for use beyond what the currently proposed DoL funding of the tangle of contracted training may support.

Upon reflection, I continue a fundamental disagreement with Ken on the "rationing" issue: just let the queue build up after the budgeted dollars run out in any year or have the states (or Congress, if the President chooses a fully-funded budget option) provide more money. Just let the President know how many he can serve with existing budget dollars and what the cost would be to serve all of the projected demand: then let the President decide. We surely ought not let any rationing arising from too much demand/too little training money for real skill grants serve as an excuse for continuing the unworkable system of contracted training that, as Bill Galston remarked last night, is a "promiscuous cesspool." The evidence is clear on this point: JTPA non-degree training for low-income workers and disadvantaged youth and adults does not add any value: Governor Engler should be told that it HIS OWN state employees (at the Employment Service or "One-Stop Centers") who have been making all of the worthless training choices for poor folks for years in the current JTPA contracting "tangle". Get real gang: it's the federally funded, but state-run system of contracted training that is the problem here, not the training choices of poor folks who have never been given the opportunity to choose for themselves.

Federally approved, but State-locally designed Skill Grant for non-degree training for low- income workers. The second option therefore (a) requires federal approval of a plan of state-local design and (b) establishes certain federal criteria. I propose the following criteria: eligibility limited by income and to those who do not otherwise qualify for Pell Grants and Dislocated Worker Skill Grants; no more than $3,000 in federal support for any individual Skill Grant; state-local design of whatever other criteria they want for an actual Skill Grant that places responsibility for choice in the eligible individual rather than in the hands of "job counselor" or "one-stop career center." The plan must also explain: (1) how state-local design and administration complement Pell Grants, Dislocated Worker Skill

Grants, Hope Scholarships, and Student Loans and HEA "triad" of gate-keeping; (2) how useful information will be provided to persons making choices; (3) what additional state-local support will be provided to complement the individual Skill Grant; (4) what system of rationing will be used if proposed federal-state-local budget support is not sufficient to meet demand, and (5) how the state-local plan for individual Skill Grants will, in fact, "transform the confusing tangle of federally supported, state-contracted and state- administered training programs into a simple skill grant to go directly into eligible workers' hands." [DoL and OMB should also come forward with budget savings possible in ETA from increasing state-local responsibility and limiting DoL oversight to plan approval, review of results, and national activities. Why aren't we taking the affirmative on this, so that we can make clear that we are serious about federal transformation at the very time we are asking states to transform their state-contracted non-degree training to their own design for individual Skill Grants that will complement Pell Grants, Hope Scholarships, Dislocated Worker Skill Grants?]

Under either of these non-degree training options for individual Skill Grants, I do not think there is any adverse impact on the balanced budget negotiations: no authorizing bill will be passed and signed into law until after a Balanced Budget Agreement, if any, is reached. Although I favor the

first option, both actually implement the President's stated goal:

"transform

the confusing tangle of federal training programs into a simple [not a "single"] skill grant to go directly into eligible workers' hands." Both options, coupled with the Dislocated Worker Skill Grant, can be put forward in specific proposals (including legislative) by the President that will command a playing field that is not now occupied by any potent alternative. If the authorizing committees or the Governors get obstinate, then we just let them stew: we'll already have the Dislocated Worker Skill Grant anyway from the Balanced Budget Agreement. My guess, however, is that any firm, credible and specific proposal from the President will enable him to will what he wants across the goal line: the Republicans and Democrats all know that the President is the nation's leader on the issue of education and training, K-12 and post-secondary, and they will bow to his will if we provide him with credible options that enable him to exercise his authority and power to realize his vision.

Finally, do we have a proposal for integrating federal budget support/state-local plan for out-of- school youth with adults who don't

have

high school degrees? It seems to me that one useful thing we could do here is to consider establishing a criteria that would encourage states to set

up

a competition among a range of providers for federal and state-local budget support to get these persons back into a work-based learning environment

that

teaches high academic skills and rewards graduation and actual job

placement.

The key point is to make clear that federal $$ will no longer pay anything

like 100% of the costs; given the scarce federal budget resources, all

federal dollars for out-of-school youth and adults without H.S. diplomas

will

only go to states that come forward with a plan of coordinated state-local

support for such education, training and employment. Eliminating those

without H.S. diplomas from eligibility for the "simple Skill Grant" will

also

help us fend off the unwarranted charges by Engler that low-income persons

don't have the requisite educational background to make as good training

choices for themselves as state bureaucrats.

Thoughts?

Paul ==================== ATTACHMENT 1 ====================
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CREATION DATE/TIME:25-FEB-1997 16:55:00.00

SUBJECT: 1997-02-24 President to American Council on Education

TO: Jeffrey H. Cohen ( Jeffrey H. Cohen@EOP [ UNKNOWN ] )
READ:UNKNOWN

TEXT:

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release February 24, 1997

REMARKS BY THE PRESIDENT

TO THE AMERICAN COUNCIL ON EDUCATION

The Grand Hyatt Hotel

Washington, D.C.

2:14 P.M. EST

THE PRESIDENT: Mr. Secretary, that was a good speech

--(laughter) -- and fully illustrated Clinton's third law of politics, which is, whenever possible, be introduced by someone you have appointed to high position. (Laughter.) Their objectivity is stunning. (Laughter.)

I thank Secretary Riley and all the people at the Department of Education for the work that they do. Stan Ikenberry, I'm glad to be here today, with all of you. President Knapp, thank you for your moving remarks about the HOPE Scholarship. You all laughed when Barry said he was making a great sacrifice by going to the Aspen Institute, but in Georgia, that's what they think. (Laughter and applause.)

President-elect Myers, and to my friend Barry Munitz -- you know, we're all in a lather up here in Washington these days about campaign contributions; everybody hates them, but nobody wants to go to public funding. So we seem destined to some period of hand-wringing. And since we're in a spirit of full disclosure, I have to tell you that in addition to my coming here today, I received a gratuity, which I intend to disclose before the whole world. I complimented Barry on his watch, and he gave it to me. (Laughter and applause.) And, cravenly, as we politicians are, I took it without blinking. (Laughter.) He swears it cost $18.00. (Laughter.)

But I'll tell you why I bragged on it -- and all of you more or less of my age group can identify with this -- look how big the numbers are, I can -- (laughter.) It's the first watch I've ever seen I don't need glasses for. The more expensive they are, the smaller the numbers get. (Laughter.) So, thank you, Barry.

I would like to begin today, if I might, with a very personal and serious word. This is the first opportunity I have had, really, to say something publicly about the death of Al Shanker yesterday, one of the greatest educators of the 20th century in this country. He was my friend for many years. I considered him my colleague. He believed that all children could learn -- with high expectations and high standards, high-quality teaching and high accountability. He literally lived a life that was nothing less than a crusade, with intense passion and power. And I know that all of you will join me in wishing his wife and his family and the members of the American Federation of Teachers the best, and giving them our sadness and our thanks for a remarkable American who did his job very, very well.

I also want to come here to thank you. Secretary Riley said, in his inimitable way, that this is a big day for us -- and this is a big day for us -- starting with the community colleges and their trustees and then going to this organization which represents, I thought at last count, almost 1,700 two- and four-year colleges and universities. Your views matter, your voice is heard, and your endorsement of our college opportunity agenda, including the HOPE Scholarships, the tax deduction for tuition and the large increase in Pell Grants will help to bring that opportunity into reality, and to fulfill my dream of opening the doors of college to every single

American who wants to go. Thank you very, very much. I'm grateful to you. (Applause.)

This is a remarkable time in the history of our democracy. At the end of the Cold War we find ourselves as the world's remaining superpower, with a special responsibility to try to shape the future in a way that will advance the cause of peace and prosperity. We find our own economy strong and growing, producing more jobs in the last four years than in any comparable term in our history, with record numbers of new businesses being formed each and every year.

We know that this is a time of enormous change, but the impulse to satisfaction I'm sure is great. Normally, when democracies have times this good, one of two things happens -- sometimes both at the same time -- people get very self-satisfied and begin to relax, and, therefore, miss the underlying currents of what is really going on for the future; or they become too easily preoccupied with small matters and begin to divide among themselves over things that bring them down, instead of lift them up. We must give in to neither impulse.

Because the growth of the global economy and the absolute explosion in scientific and technical information associated with the Information Age give us an opportunity -- but not a guarantee, an opportunity -- for undreamed of new jobs and careers, for greater knowledge and understanding, not just for greater material wealth, but for enhancements in the quality of lives for families and communities, it is literally true that in the era toward which we are moving more people than ever before in all of human history will have a chance to live out their dreams. But it is also true that the chance cannot be realized unless we give them the power to make the most of their own lives. So this is no time to rest.

Four years ago, we knew we couldn't rest, and we set about laying the foundation for progress by changing the economic policy of the country to focus on investing in our people, getting our fiscal house in order, emphasizing science and technology and opening the doors of trade with the rest of the world. We changed our social policy, centering it clearly on family and community and focusing on action instead of rhetoric. The result is that we've had marked drops in crime, the biggest drop in welfare rolls in the history of the country, the Family and Medical Leave law, action to stop teenagers from being exposed illegally to the sales and marketing of cigarettes, and a number of other initiatives.

Our foreign policy has begun to articulate the world that we want to make, working in an interdependent way with allies and friends of like mind throughout the world not only to advance the cause of peace and freedom and prosperity, but to stand up against the new threats to our security.

Along the way, we have fought -- and I hope largely resolved -- the battle that has dominated America for nearly 20 years now over what the proper role of our nation's government should be. You hardly hear anyone saying anymore that government is the enemy.

It was interesting -- in the last couple of days Hillary and I went to see -- or brought in the movie, because we have a theater at the White House -- it's the best perk of the job, I think -- (laughter) -- but we had about all the seriousness we could stand, and we watched that movie, "Dante's Peak," about the volcano exploding. And I couldn't help thinking, you know, the hero works for the U.S. Geological Service, and his life is saved in the end by a contraption developed not here at home for uses on the ground, but by NASA for use in space. And I thought, the government is not the enemy. The role of the government is to create the conditions and to give people the tools to build strong lives and families and communities and a strong nation -- and to give people the chance to live out their dreams.

Now that that foundation has been laid, and now that I believe we have also moved away from the very dangerous rhetoric of the last several years that seeks to divide us against one another based on our racial or ethnic or religious or other differences, toward an understanding that it is actually a great Godsend for us to be the world's most multiethnic, multiracial, multireligious democracy, we now can actually seize the opportunities that are before us. But the first and most important thing we have to do is to recognize that, beginning at the beginning, our education system will not provide us the opportunity to do that unless we change it.

For the beginning years we have to raise standards. For our colleges and universities, which are plainly the finest in the world, we simply have to make sure that the access is there for everyone who should go to have a chance to go.

The main point I want to make is that we actually are in a position now to mold our future untroubled by war abroad or disruption at home in a way that is very, very rare in human history. We have no idea how long this moment of tranquility will last. We have no idea how long we will be fully free to wake up and say, what am I going to do today, without being impinged upon by some external force that will shape us.

I was interested when the Secretary talked about Abraham Lincoln and the land grant. I used to teach at a land grant school, so I like that. But it's interesting that President Lincoln signed that land grant bill during the Civil War. And Lincoln once said during the Civil War -- he gave a statement today that I would be ridiculed nationwide if I said -- he said, my policy is to have no policy; I am controlled by events. Well, of course, he did have a policy -- he had the most important one of all -- I'm going to hold this Union together if we all have to die to do it, including me. That was his policy. But he also told an important truth. When the wheel runs off and things fall apart, you are to some extent controlled by events.

Today in a rare moment, America is not especially controlled by events, but we cannot be unmindful of the larger historical trends which will shape our future. And it is the moral obligation of every person in a position of responsibility in the United States to take this opportunity -- not to lay down on the job and not to fall into mindless debates, but to lift our sights and our visions to take advantage of this rare moment and make the most of it. And we could do no better than to give our people the finest set of educational opportunities in the world and to make sure every single one of them has those opportunities. (Applause.)

I was encouraged by the report I got out back, very brief, about the words that Senator Lott said earlier here today. During the Cold War we had a bipartisan foreign policy, because -- literally because the future of the country was at stake -- everybody agreed we'd like to fight with you and we'd like to kick you out if you're not in our party, but politics should stop at the water's edge.

Today, in the Information Age, politics should stop at the schoolhouse door, because our security depends upon our ability to give all our people the finest education in the world. (Applause.) My shorthand expression for what we're trying to do -- and you will all recognize there are many other things at stake -- is that we have to create an America in which every 8-year-old can read, every 12-year-old can log on to the Internet, every 18-year-old can go on to college, and every adult can keep on learning for a lifetime. My balanced budget makes an unprecedented commitment to these goals -- $51 billion next year. But far more than money is required.

Three weeks ago at the State of the Union I issued a call to action for American education based on 10 principles necessary to prepare our people for the 21st century. First, we have to set world-class standards for our schools and develop a system of accountability, beginning for the first time with national standards-based reading tests in the 4th grade and math tests in the 8th grade.

Second, we have to make sure we have the best teachers in the world.

Third, we must make sure that every child can read on his or her own by the third grade. I see my friend the President of the Miami-Dade Community College out here, the largest community college in our country and one of the most diverse student bodies. Forty percent of the 8-year-olds in this country cannot read a book on their own -- 40 percent. And we have to do better than that if we want all of our children to be in two- and four-year colleges when their time comes.

Fourth, we have to make sure parents are more deeply involved in a constructive way in their child's learning from birth. The First Lady and I are going to host a conference on early childhood learning and brain development in the spring here.

Fifth, we have to give parents more power to choose the right public schools for their children and encourage school reforms like charter schools that set and meet high standards.

Sixth, we should encourage the teaching of character education in our schools -- and Secretary Riley has done a marvelous job of that -- and promote order and discipline at the same time by supporting local school initiatives, like school uniforms or truancy enforcement or curfews, and demanding zero tolerance for guns and drugs. I have seen in the most difficult neighborhoods in this country that children do not have to put up with violent, disruptive and destructive school environments. There are schools that are succeeding against all the odds. And if some can, all can. And until they all do none of us should be satisfied.

Seventh, we should support school construction at the national level. I believe, for the very first time -- because we have record numbers of school populations now, for the first time we've got a group bigger than the baby-boomers coming through, and the schools are growing at record rates while their facilities are deteriorating at record rates.

Eighth, we should make sure that learning is available for a lifetime by transforming what can only be described as a tangle of federal training programs into a simple skill grant that goes directly to workers. People who need and are eligible for federal training help, nearly all of them live within driving distance of a community-based educational institution that can give them what they need. And we do not need a lot of federal programs to get between them and those institutions. I have been trying for four years to pass this program. I hope you will help me get this done in this session of Congress, to create a new G.I. Bill for America's Workers that simply gives people a skill grant and lets them take it to the institution of education nearest them most able to meet their needs.

Ninth, we are determined to connect every classroom and library in this country to the Internet by the year 2000 and we're making good progress on that. But finally, and the thing that you have endorsed today, is our effort to meet the last goal, to throw open the doors of college to all people who are willing to work for the opportunity.

As the Secretary said, we have always expanded education. He began with Abraham Lincoln, and we might have begun with Thomas Jefferson, who advocated even as he advocated buying Louisiana -- for which I'm very grateful; otherwise I wouldn't be President -- (laughter) -- and America becoming a continental nation, that we should educate all of our children. Thomas Jefferson even advocated the education of every single child, boy or girl, of slave families in America. And we know from the beginning that it was the education of our leaders that gave them the vision to chart the course that has brought to this day.

I do believe, based on the sheer economic realities and the need for greater understanding of our interdependence in the world in which we're living that we have to make the first two years of college as universal as a high school education is today. Fifteen years ago, the typical worker with a college degree earned 38 percent more than a high school graduate; today, it is 69 percent. Two years of college alone means a 20-percent increase in learning and a quarter of a million dollars more in earnings over a lifetime.

Now, over the past four years we have put in place an unprecedented college opportunity strategy: Student loans provided directly to people who need them and that enable people to repay those loans as a percentage of their income. AmeriCorps, which has already helped 70,000 young people earn their way through college by serving their communities and their country. Two hundred thousand more students in Work Study as a result of last year's budget, and a very large increase in Pell Grants last year, taking the maximum grant to $2,700 and expanding the number of people eligible.

The plan I have put before the Congress in my balanced budget would expand work-study again so that one million students will be able to work their way through college by the year 2000. We want 100,000 of these new work-study students to join our America Reads efforts to help make sure all our 8-year-olds can read independently by the year 2000.

I know that more than 80 college presidents have already committed thousands of their work-study students to work as reading tutors. I thank those of you who are here leading this effort, many of you on the front row here, and I'd like to ask all the rest of you to join us. Go back home, look at how many people you've got in work-study, see how many you could allocate to this effort.

We're going to have about 35,000 AmeriCorps students trained especially to train tutors. We're going to challenge the parents and the schools to open up to make sure we can get these volunteers in there to teach these kids to read. We cannot expect the schools to operate efficiently if children have to leave the third grade not even being able to read. They will never learn what they need to know. And college students will relate well to these young kids and have a chance to literally revolutionize future learning in America.

A lot of these children are not just poor kids, they simply -- many of them come out of cultures where their first language is not English and they did not learn to read properly. We should not let them go past the 3rd grade without knowing we have all done everything we humanly can to make sure that they can read independently. So I thank those of you from the bottom of my heart, who have volunteered already, and I ask the rest of you to join in that crusade. We need you and it will make all the difference.

Finally, let me say we have got to do more in other areas. For three years in a row now we've expanded Pell Grants for deserving students. But our budget this year, our balanced budget contains the largest increase in Pell Grant scholarships in 20 years. We are adding $1.7 billion in grants, a 25-percent increase, which will make 348,000 more students eligible -- many of them older students -- and will increase the maximum grant to $3,000. And for 4 million low and middle income students the budget will cut student loan fees in half.

But if we're truly going to set a new standard, a 14-year standard, we've got to do more. That's why I have proposed America's HOPE scholarship based on the Georgia pioneering program; two years of a tax credit of $1,500 for college tuition, enough to pay for the typical community college. We know it will work because of the testimonial you have already heard from President Knapp.

Second, I propose a tax deduction of up to $10,000 a year for all tuition after high school to help families send children or parents to college, or to graduate, or medical school, or any other education after high school.

Third, I proposed an expanded IRA, expanded in terms of eligibility, in terms of who can save and in terms of purpose, so that families can save tax free to pay for education. Together these proposals mean that a family could save money for college tuition and never pay a penny of taxes on it. For example, families could put up to $2,000 of income into the IRA each year without paying taxes, then withdraw up to $10,000 a year for tuition and deduct that from income so that there will not be any taxes when they're paid out.

Cutting taxes to help people pay directly for college has never been done before on a national level. But we have cut taxes for years to help people buy a home or invest in a business because that's the way we felt we could encourage people to invest in their future and build the American Dream. And it has worked.

In the last four years we have seen homeownership rise to a 15-year high, and if the rate of increase continues by the year 2000 more than two-thirds of Americans will live in their own home -- an all-time record. In the last four years we have seen in each successive year a record number of new businesses formed in America. Today we ought to have that same kind of encouragement to invest in education, an even more important investment for the future. And I think that it is highly appropriate to adopt this device to achieve that goal.

Let me assure you, the Treasury Department is committed to working with the Department of Education and all of you to make this tax plan work. The IRS will not interfere with the affairs of educational institutions. We are committed to making this simple and straightforward for the academic community and especially for the students of every age. The plan will give families the power to choose the right education for themselves and the flexibility to decide the best way in which to pay for that education.

Now, just think about what this could mean. A young person who can't afford tuition or whose family can't afford it can now go down to a local community college right away and sign up if they meet the standards, because the HOPE Scholarship will pay for it. Someone with a new family who is worried about college costs down the road can multiply his or her savings power by putting tuition money in an IRA tax-free every year while the children are growing up. Then, when they're 40 and worried they might need more education to move ahead, but can't spare time off from work, not only

can they withdraw from the IRA for the kids, but the parents can to part-time, or at night. But all can go to college without tax consequences.

My plan is simple: $1,500 a year tax cut for individuals to pay for college for two years; a $10,000 a year tax deduction for families for any year of tuition after high school; an expanded IRA to help families save tax-free for education, plus the more and larger Pell Grant scholarships for deserving students, 300,000 more work-study positions, AmeriCorps, the Direct Loan Program.

This plan will throw open the doors of college and give every American the great chance to make the most of the world that we are moving into. College is opportunity for tomorrow. And creating that opportunity is our responsibility today.

I thank you again for your support of this plan. As we work in the weeks and months ahead to craft a bipartisan balanced budget, you endorsement today will be an historic element in making sure that this will be part of the ultimate budget plan. We need a balanced budget, but it has to reflect our values and it has to pave the way to a better future.

Today, we have committed to expanding educational opportunities by enacting the Hope Scholarship tax cut, the college tax deduction, the Pell Grant increases, the work-study increases. I thank you for standing with us. You are standing for opportunity for generations to come in a way that will change America forever for the better.

Thank you and God bless you. (Applause.)

END 2:40 P.M. EST

=================== ATTACHMENT 1 ===================
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SUBJECT: 1997-02-24 President to National Assoc for Ed Opportunity

TO: Jeffrey H. Cohen ( Jeffrey H. Cohen@EOP [ UNKNOWN ] )
READ:UNKNOWN

TEXT:

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release February 24, 1997

REMARKS BY THE PRESIDENT

TO THE NATIONAL ASSOCIATION FOR

EDUCATIONAL OPPORTUNITY

State Dining Room

10:50 A.M. EST

THE PRESIDENT: Thank you very much. Good morning.

Welcome to the White House. Dr. Ponder, Dr. Wilson, Dr. Shaw. Where's Bill Gray? Is he here? You're hiding your light under a bushel back there. (Laughter.) I wanted to say again to all of you how grateful I am to Bill Gray for the historic role that he assumed in restoring democracy to Haiti. We've got another year behind us now, Bill, and we're still going. Thank you. (Applause.)

Dr. Payne, and Dr. Hackley, Mr. Secretary. I'd also like to thank Catherine LeBlanc for her work on the White House Initiative on Historically Black Colleges and Universities.

Welcome to the White House. I'm especially glad you could join us during Black History Month as we pay tribute to the contributions of African Americans to American life. None of those has been more important than our nation's Historically Black Colleges and Universities. When the doors of college were closed to all but white students, and black people's aspirations were scorned, Historically Black Colleges and Universities gave young African Americans the high quality education they deserved, the pride they needed to rise above cruelty and bigotry. As the graduates and teachers of HBCUs haven't just taken care of themselves, they fought for freedom and equal opportunity for all other Americans as well.

This has been important throughout our history, and in the future it will be more important than ever before, because education will be more important than ever before. To prepare our people for the new century every young American must have the world's best education.

You know better than anyone how much a difference an education can make. To name just a few of the young Americans who were educated at HBCUs, you'd have to look at Justice Marshall, Congresswoman Barbara Jordan, Reverend Jesse Jackson, NAACP President Kweisi Mfume, Nobel Prize winner Toni Morrision, and of course, Dr. King. Eighty-five percent of our nation's black physicians, 80 percent of our African American federal judges, 75 percent of our black PhDs, 50 percent of our black business executives and elected officials all were educated at HBCUs.

Historically Black Colleges and Universities have served with distinction, of course, in terms of their contributions to our administration: Our former Secretary of Energy, Hazel O'Leary; former Surgeon General, Dr. Joycelyn Elders; the Director of Presidential Personnel, Bob Nash; and, of course, as the Vice President said, Alexis Herman, who is here with us today and who did a superb job for us as Director of Public Liaison -- and, with your help, will be a great Secretary of Labor, and I want your help. (Applause.)

Over the last four years, we have put in place a comprehensive college opportunity strategy to make college available to every American citizen. I directed the Department of Education and the White House Initiative on Historical Colleges to work to increase funding to HPCUs. We've made student loans less expensive and much easier to obtain under the Direct Student Loan Program. AmeriCorps, our national service program, has given tens of thousands of young people the chance to earn college tuition while serving in their communities. We have created already in the last budget 200,000 more work-study positions to help students work their way through college, and in the new budget there is another 100,000, which will mean we will go from 700,000 to 1 million work-study slots in only four years. (Applause.)

We know that financial aid is critically important. But some of your colleges, as many as 90 percent of the students, receive financial aid. Last year, we increased the Pell Grant program by 20 percent, taking the maximum grant up to $2,700 from about wherever it was $2,460. That was the biggest increase in 20 years.

This year's budget is bigger still. It increases Pell Grants by another 25 percent, the largest increase again in well over 20 years; and increases the maximum Pell Grant award to $3,000 per year. It expands the program to include older students who are starting college late or returning to school. It raises the maximum family income level to include hundreds of thousands of families who did not qualify for Pell Grants before. In total, these changes will help almost 350,000 more families send a family member to college.

The balanced budget also includes a $10,000 tax deduction to help families pay for college, and a $1,500 HOPE Scholarship tax credit, which is enough to pay for the tuition at the typical community college in America for two years.

This college opportunity agenda will open the doors of college wider than ever before. Now we need to work to make sure that the Congress, without regard to party, will enact these changes into law.

Before I answer questions now, I'd like to ask for your help with one more thing. We all know that literacy is the basic tool of learning. But 40 percent of our children cannot read independently by the time they're eight years old. We can and must do better. My budget includes more than $2 billion to help us with the literacy challenge, but that is not enough.

I launched our America Reads initiative to mobilize an army of reading tutors all across America. And I asked college and university presidents to help me achieve that. I sent a senior member of the White House staff, Carol Rasco, to the Department of Education to work with Secretary Riley to make sure the America Reads initiative does that. We have dedicated several thousand AmeriCorps volunteers to becoming trained so they can, in turn, train reading tutors to work with schools, with parents and with children to help make sure our children can read.

But now we need a lot of volunteers -- as many as a million -- and a lot of them will have to come from students. I am pleased to say that over 80 college presidents have already committed thousands of their work-study students to participate as reading tutors. I hope you will join them and commit a percentage of your own work-study students to help our children learn to read, because without literacy, the job manuals and the history books are both closed, and so are the doors of college. We need your help to open them wider.

I'm looking forward to working with you in the months and the years ahead, but especially this year to make sure that we pass this education in Congress, number one; and number two, that we enlist the idealism, the ability and the energy of our young college students in helping us to teach our children to read.

Thank you very much. (Applause.)

END 10:59 A.M. EST

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CREATION DATE/TIME:25-FEB-1997 17:48:00.00

SUBJECT: 1997-02-24 Press Briefing by Mike McCurry

TO: Jeffrey H. Cohen ( Jeffrey H. Cohen@EOP [ UNKNOWN ] )
READ:UNKNOWN

TEXT:

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release February 24, 1997

PRESS BRIEFING BY

MIKE MCCURRY

The Briefing Room

3:45 P.M. EST

MR. MCCURRY: Well, ladies and gentlemen, thank you. Our delayed arrival here at Grand Central allowed you to report, I'm sure, on the two impressive developments today with the President gaining support from the higher education community for our education challenge, the support of the American Council of Education -- 1,700 of the nation's leading figures in higher education; and also the endorsement by the American Association of Community Colleges and the Association of Community College Trustees. I know that you both are anxious to talk about those developments.

Wolf.

Q The President is going to another soft money fundraiser tonight --

Q Ooooh.

Q -- which has nothing to do with education, but the DNC says, of the half a million they expect to raise tonight, 70 percent is in soft money.

MR. MCCURRY: I thought it was 60 -- I had heard 60 percent.

Q They told me 70.

Q It went up, going up.

Q Is there still no reconsideration being given here at the White House to this kind of presidential level participation in these events?

MR. MCCURRY: The President will continue, as we've said over and over again, to help the party raise money. They need the money. They need to be competitive with the Republican Party. As you've noticed, the Republican Party has been actively and aggressively raising money of their own. We will abide by the voluntary restrictions on soft money fundraising that the President has announced, and challenge the Republicans to live within those same restrictions. We also continue to challenge the Republican Party to give up soft money altogether.

Q And as a follow-up, now that several Democratic senators -- Feingold, Moynihan -- are suggesting that it's time for an independent counsel to take over the investigation, is the White House also beginning to think it might be time for the independent counsel to take up --

MR. MCCURRY: Right here, it says the White House. Go ask at the Justice Department. The Justice Department makes determinations based on the evidence on that matter. I don't have any comment for you on that.

Q Lott suggested earlier today that there should be a council of so-called graybeards -- economists to discuss changing the CPI. Do you guys have a reaction to that? Sorry, to change the cost of living adjustment within the CPI.

MR. MCCURRY: Well, we -- I'm not sure if we would describe -- we've said, in effect, the same thing, that this ought to be submitted to a discussion by those who are expert in labor statistics, economic statistics, those who know how to measure the impact inflation has on both public expenditures and on the living expenses of Americans. Now, presumably some of those will be graybeards, but some of them may be female.

Q But what about -- I thought you wanted the BLS to decide this. And now you want an outside group to decide this?

MR. MCCURRY: No, well, we've talked about that a lot here. Alicia Munnell was here recently and spoke to that at some length, about the way in which experts both at the Bureau of Labor Statistics and other noted economists and academicians are looking at those sets of issues. That's where we think the debate ought to be resolved.

Q But do you think Lott's idea is a good one for pushing this problem forward, or pushing this --

MR. MCCURRY: I think most ideas the Majority Leader has are good ideas.

Q Could you walk through for us, please, the White House's decision to seek information from the Justice Department regarding those intelligence intercepts, the reason why you did it, how the decision was reached and how you made that request of Justice?

MR. MCCURRY: I won't walk through it because we will provide in due course a response to Mr. -- whoever it was -- Burton that asked for it. But I'm going to tell you the little bit that I can about it.

He apparently has gotten erroneous information. He says that we sought and received a heads-up in an open criminal investigation that potentially involves administration officials, and the Justice Department inexplicably and in short order provided records related to an open investigation. To my knowledge, that is not true. I don't know where he got that information, but maybe he can explain himself to all of you.

The President sought and obtained from the Justice Department information that allows him to properly conduct this nation's foreign policy and national security affairs. And we will respond very directly to Mr. Burton's letter and indicate that the inquiry that we made was entirely proper.

Q Well, could you characterize it?

MR. MCCURRY: By the way, we also asked the Justice Department to simultaneously convey that same information conveyed to us to the House and Senate Intelligence Committees.

Q Did that happen?

MR. MCCURRY: I'd have to refer you to the Justice Department. I don't know whether they did or not.

Q Could you tell us specifically what was the request for? Could you release the request that was made from the White House?

MR. MCCURRY: I will not. It is classified.

Q That's classified?

MR. MCCURRY: The request that we made and the questions that we asked is a national security document.

Q Well, is it fair to say that it was prompted by The Washington Post report?

MR. MCCURRY: It's fair to say that it was prompted by the President's desire to make sure that we had information necessary to conduct foreign policy and national security affairs, which is all that I am going to say in characterizing the request for the contents.

Q But he told us he didn't know about it before The Washington Post report, so --

MR. MCCURRY: That is correct. The President did not know about the news in that story. Now, as the Justice Department has made clear, there is also information available in channels and we will look to see if any of that matter is pertinent to a subject matter that may have been discussed.

Q Can you say whether any of the information received by the White House pertained to any investigation underway by the FBI or the Justice Department?

MR. MCCURRY: I'm not aware that any of the information that we obtained related to any aspect of a criminal investigation underway by the Justice Department.

Q Would you expect us to get that letter to Burton today?

MR. MCCURRY: I expect it to get to you when we've had an opportunity to deliver it to Mr. Burton. It hasn't been sent yet, to my knowledge.

Q But soon, do you think?

MR. MCCURRY: They were working on a number of things and they will work on that in due course.

Q Were there aspects of this the President already was aware of through routine intelligence briefings?

MR. MCCURRY: Aspects of what?

Q Of the story.

MR. MCCURRY: There was nothing about the news in that story -- and by that I mean the more headline grabbing portion of that news -- that senior officials here at the White House were aware of. I believe the letter may address through law enforcement briefings if we had information on matter that might be pertinent to the subject, which is what Mr. Burton requests.

Q Mike, did the President know that these coffees --that Rosen and others were charging $50,000 or asking for $50,000 contributions up front, before they came into the coffees ? And what would be his reaction to that?

MR. MCCURRY: I think he would regret anyone attempting to market any aspect of the coffees as events that required a direct dollar donation, because that's not -- that would be contrary to his wishes.

Q That's not something he or anyone else in the White House asked Rosen and others to do?

MR. MCCURRY: Not to my knowledge, no. And if you'll recall in July of 1995 when we talked about a specific marketing brochure that had been put together by the Democratic National Committee, the President made it plain that he did not want events marketed in that fashion.

Q Mike, Time Magazine says that the radio address has also been open for $50,000 attendance tickets and that Johnny Chung was asked --

MR. MCCURRY: The radio address is very often open to friends and relatives of White House staffers and all manner of other people who are not contributors. And I'm not aware of any effort to "market them."

Q Well, but is it open to contributors?

MR. MCCURRY: Contributors are allowed to be among those who request to be invited, and sometimes are, along with any number of other people here at the White House.

Q The specific allegation was that Johnny Chung was asked to donate $50,000 in order to get to the radio address and bring his friends with him.

MR. MCCURRY: I am not familiar with that allegation.

Q Can you explain the difference between up-front donations and then hitting up someone after they came to a coffee?

MR. MCCURRY: No.

Q What's the difference? Is there no difference?

MR. MCCURRY: I don't know -- I'm not sure I understand the question.

Q I'm saying if somebody was brought to a coffee and asked later for a donation, is that any different --

MR. MCCURRY: I said I believe here several times in the past that it would not be surprising to us if those responsible for soliciting donations, that the Democratic National Committee followed up on some of these events and contacted those who had attended. We've made that clear.

Q When the President goes to fundraisers, as he is tonight, you get a spate of negative stories about it. I wonder if, one, the President thinks that is unfair, and number two, whether the White House thinks it does any harm. Does it have any effect to have him go to these fundraisers?

MR. MCCURRY: Well, the President understands that will happen and he takes these opportunities when you are all there to underscore his commitment to getting campaign finance reform and to remind all of you and to remind the audience and hopefully remind the American public that we are not asking taxpayers to pay for our campaigns in the future. There's no campaign finance reform pending that requires taxpayers to foot the bill. Therefore, campaigns are going to be funded and political parties are going to be funded through private contributions that are made by individual Americans. That still fits within the context of campaign finance reform, which seeks to do all those things that the McCain-Feingold measure and other measures would accomplish.

Q Do you think it has any political effect?

MR. MCCURRY: I am not the judge of political effects.

Q Are his comments tonight going to be open for coverage?

MR. MCCURRY: The pool will be there, as is our custom.

Q With respect to the three advance and scheduling people out on the road and still being paid by the DNC, why would the White House want to keep it on its payroll and --

MR. MCCURRY: Oh, I don't know that we do. I think, look, they are advance people and advance people are sometimes contract employees, sometimes they are folks that work at other agencies and work on detail, and they'll work out some suitable arrangement for those folks.

Q Mike, and just to follow up, what is your reaction to Governor Romer's comments to simply want to distance all that, as he put

--

MR. MCCURRY: He made it clear that he just wants to make it clear there's not mingling of White House official duties and political party duties. And I think that's an appropriate observation.

Q Are you inclined to adhere to his suggestion?

MR. MCCURRY: I think we already are. I think we already made that determination when we canceled the program.

Q Is the President uncomfortable with Mr. Fowler's contacts with Cabinet officials on requesting --

MR. MCCURRY: I don't know that he's familiar with those contacts.

Q Do you mean that he's not read the story, or that perhaps it's not accurate?

MR. MCCURRY: I don't know if he knew anything about Mr. Fowler's contacts with agencies. We made it clear over and over again that there were no government policies that were determined or acted upon based on the President's political work. He makes his decisions in the best interests of the American people.

Q Can we go back for a second on the statement of what the

President knew about the Chinese, the allegations of the Chinese Embassy involvement? -- to say that you did not know about the news in the story, and I'm not clear on what distinction you're making.

MR. MCCURRY: What you recall -- it was in your paper, so you recall the story.

Q I do recall the story. But, I mean, you say the news, and if he knew about it ahead of time, it wouldn't be news to him. What distinction are you making by using that phrase over and over again?

MR. MCCURRY: Well, in the course of routine business if there had been some law enforcement briefings that were pertinent to some of the subject matter that might have been available to some at the White House. But, again, I checked with the President, the Vice President and other senior White House officials, and to my knowledge the news in your story was news to them at the time it appeared -- or at the time the inquiries about it were made.

Q Mike, repeatedly White House officials have said that there was no direct connection between fundraising and these coffees or the Lincoln Bedroom or any of that. Yet, we seem to be getting in dribs and drabs all these confirmations that at least DNC or other Democratic Party officials were, in fact, making that connection outside the White House.

MR. MCCURRY: Well, let me comment on that for a minute.

You're getting information that we are, in most cases, voluntarily providing. Remember that "dribs and drabs" come about because we are working very hard to provide documentation and information to various people who are looking into these matters, including many of the news organizations in this room. And as we work hard to get to the bottom of these matters and to answer questions candidly and forthrightly, as the President has asked us to do, yes, we do generate new information and there are others that are probing the memories and the activities of those who were working in the larger universe of those involved in political activities in 1996 and, of course, there will be more information forthcoming.

I'm waiting for some of the same information to become available on things like the Eagle's program at the Republican National Committee, the Team 100 program, the Season Ticket Holder program. I imagine in due time all the same documentation and memoranda about those programs will be requested of the Republican National Committee and be provided. And I think then there will be probably dribs and drabs of information about their fundraising program, as well.

Q Well, but based on what you've told us and what we're now learning about what some of the Democrat -- were Fowler and Rosen and the DNC running a rogue operation, separate and apart from anything that the White House knew about?

MR. MCCURRY: I don't know that I would characterize it as other than they have provided information about the activities that they had knowledge of and responsibility for in their capacity at the Democratic National Committee.

Q If I could --

MR. MCCURRY: We're moving on.

Q Mike, one more -- wait a minute.

Q What is the President's reaction to the call for a special prosecutor to investigate the campaign finance reforms?

MR. MCCURRY: The one that I just gave earlier. He had no particular reaction or comment to it.

Q Mike, I guess in the same vein, is the President just troubled by the appearance that -- whether it's the Lincoln Bedroom or all these other elements -- that they even give the appearance of policy being affected by donor contributions, even though you're saying that they're not? But is he troubled by the appearance that they may be?

MR. MCCURRY: I am not certain that they give that appearance. I think that factually we've provided information and developed information and made it available and you all characterize it as you choose to characterize it.

Q But, Mike, in the past you've said that the President was not happy about people kind of trading on their access or using it almost like an advertisement. Does he feel that he's been ill served by people who at least gave the impression that certain meetings with him were for sale?

MR. MCCURRY: Well, the President has addressed all these subjects in the past. I don't know that I can add to it. He's made it clear what he felt was appropriate and what was inappropriate. And anyone acting contrary to his wishes he, of course, would regret and he would leave him disappointed.

Q But is he angry? I mean, we get a story every day and today he gives a speech saying, well, it's hand-wringing and Washington's in a lather. And the feeling is that he's not as angry as you all have kind of portrayed him.

MR. MCCURRY: But the President -- he's not. The fact is the President has worked today on expanding educational opportunities for Americans. He's devoted his time to those things he pledged to do in his State of the Union address. He's been working on how we're going to make welfare reform a success. He's been working on his educational challenge, elements of it, and will continue to do that. Tomorrow we're going to work on fighting drugs in America. And I think he wakes up, comes to work every day concentrated on doing those things that he believes the American people elected him to do. If that's not your focus, that's fine. That's his focus. His focus should be --

Q Does he believe it's important to the American people for campaign finance reform?

MR. MCCURRY: Well, of course he does, and he's addressed that subject and said so publicly and will continue to say so publicly, presumably even tonight.

Q Mike, he seems to be making very light of it in the comments about --

MR. MCCURRY: He doesn't make light of it.

Q -- we're all in a lather up here in Washington.

MR. MCCURRY: He would not make light of the need for campaign finance reform, has spoken to it publicly and continues to speak to it publicly and encourages members of Congress to pass the necessary legislation.

Q Well, then what did he mean by his hand-wringing comment?

MR. MCCURRY: I think it speaks for itself.

Q Speaking of public statements, for the second time within a few days, he and the Vice President made a point to lobby for Alexis Herman's nomination, and this time in front of what is admittedly a friendly crowd to Ms. Herman. How worried is he about her nomination at this stage?

MR. MCCURRY: Well, he wants Senator Jeffords, Chairman Jeffords to set a date for a hearing. And we hope that happens soon. We believe Chairman Jeffords is a fair individual and will do so, and we hope he does so soon so we can get Alexis Herman confirmed as Secretary of Labor. She will be an excellent one, as the President said earlier.

Q I mean, he wants to set a date, but I'm just trying to get a sense of -- it seems to be repeating itself. Just how worried is he that the Chairman may not set a date, that the nomination will essentially die?

MR. MCCURRY: The President is confident he will set a date and she will be confirmed once she has the hearing she deserves.

Q Does the President see an element of racial bias in the difficulty in getting Alexis Herman?

MR. MCCURRY: None that I'm aware of.

Q I realize this is a DNC matter, but have the voluntary limits -- it's early days yet, but have the voluntary limits, to your knowledge, hurt at all?

MR. MCCURRY: I don't know the answer to that. You would have to put the inquiry to the Democratic National Committee. I think they have had to restructure the way they've planned their fundraising program for the year in light of some of the voluntary restrictions we've enacted.

Q Mike, talk about restructuring, have fundraisers -- or, not fundraisers, but political gatherings like coffees or whatever, that may have planned or that were planned for this year, have they now been taken off campus?

MR. MCCURRY: I'm not aware that --

Q -- getting them pulled out because of the ongoing attention to this?

MR. MCCURRY: I'm not aware that any events of that nature had been scheduled.

Q Mike, you keep saying -- getting back to Alexis Herman -- you keep saying that Senator Jeffords is fair. Do you think it's actually fair that he's let Alexis Herman's nomination just linger on this long before a date has been set for the hearings?

MR. MCCURRY: Well, I'm reluctant to say that it's unfair, but I think it would have been appropriate to have that hearing so that she could address any concerns that members of the Senate have. But we believe that Senator Jeffords is a fair person and will schedule a hearing and do so soon so that we can move on to her hearing and, we hope and expect, to her confirmation.

Q Can you take the question on the proportion of hard to soft money tonight? Because the DNC did say --

MR. MCCURRY: It's their event and whatever they say is accurate, I would imagine.

Q The drug policy meeting tomorrow, who is he meeting with?

MR. MCCURRY: General McCaffrey and other members of the President's drug control strategy team will be here to outline their efforts in the coming year. They'll talk about the President's drug control budget for fiscal year 1998, as proposed, which calls for some $16 billion to fight drug use. The President wanted a public opportunity to remind Americans, and especially young Americans, of the danger of using drugs and this is an excellent opportunity to do so.

Q The certification decisions or the recommendations to come out of the State Department this week, and he's to make his recommendation by Friday -- will they also be discussing that?

MR. MCCURRY: The international aspects of our counter-drug trafficking strategy will likely be an element of the discussion, but there will not be any specific review of the annual drug certifications.

Those are made upon recommendation of the Secretary of State. She's already indicated publicly she would not be turning her attention to that matter until she returns from her current trip, which will not be until mid-week. I don't expect any action by the President on this matter until the end of the week or over the weekend.

Q There's a story that Johnny Chung, though he was cleared, someone in the NSC felt that he was somebody who should be very circumspect about letting in here, was actually allowed in and wandering around with two six-packs of beer. Do you find it a troubling image? Do you know if it's true?

MR. MCCURRY: Well, I don't know the story said that. I think that he was prevented from doing so. And that is a troubling image.

Q Is there one drug related event tomorrow, or two? It's one?

MR. MCCURRY: Just the one at 11:00 a.m. tomorrow that I'm aware.

Q Mike, once Secretary Albright makes her recommendations for certification or decertification, does the President go back to his advisory board and consult with them? There's going to be a couple of countries involved. Does he get feedback after he gets her recommendation?

MR. MCCURRY: Well, he will consider the recommendations of the Secretary of State, but those are developed and discussed in an interagency process in which the National Security Council participates directly and the National Security Advisor is represented. But there will be an opportunity for the President to review and discuss any recommendations that come from the Secretary of State, which is why I suggest that his decisions on that will be very late in the week, if not over the weekend.

Q Is there a set date by which --

Q March 1, right?

MR. MCCURRY: They're due on the Hill I think by March 1, and so I don't rule out the possibility that it might not happen until Saturday.

Q One of the representatives from the community college groups that sent a letter to the President today indicated reservations on the HOPE Scholarship plan, at least as far as its requirement for a B grade average. They're contending that this is really holding students to a higher standard, that in general when they're student assistants the student only has to be in good academic standing. Is the White House considering revisiting that particular --

MR. MCCURRY: No. We think it's important to set some standard that encourages students to give maximum effort in return for the opportunity they've been given. Again, it's consistent with the President's view that the opportunity extended, in this case the scholarship itself, ought to be met with the responsibility to do the very best to keep a grade point average at the B level or above. And the experience in Georgia -- there were speakers today at the ACE from Georgia who actually addressed the experience there -- it has been a worthy standard because it has encouraged students to work harder to maintain their eligibility for financial assistance.

Q So the question, though, is why do you need to maintain a B average to maintain the $1,500 tax credit, but not maintain a B average to maintain a $10,000 tax deduction.

MR. MCCURRY: Well, there are two different programs designed to operate in two different fashions. One is to be a deduction for college expenses; the other is an incentive program to encourage people to do well in school in exchange for a targeted tax credit, which is two different programs.

Q Yes, but you can only do one, you can't do both.

MR. MCCURRY: Well, that's correct, you can only take -- I think you can only take one. It's an either-or in the case of what one would do.

Q Mike, and the other point that they were making is that it would be harder to regulate and administer in terms of having to go down to a grade level criteria.

MR. MCCURRY: Well, we have addressed that. We take some issue with that. Colleges and universities already administer many financial incentive programs. There are a number of insurance underwriters in this country that provide lower-cost auto insurance to students that maintain B averages. Colleges and universities are familiar with those programs, administer them with some ease. We've designed the program and work closely with the community of higher education leaders to make sure that this would be an easily administered credit. And we believe it can be done with a minimum of disruption for any administrative procedures that colleges and universities maintain.

Q Mike, when the President talks about the literacy program, he says right now 40 percent of students in 3rd grade can't read on their own. He rarely says the same thing about the numbers of kids who don't go to college because they don't have $1,500. Do you have -- have you determined how many people are not going to college who want to because of the lack of --

MR. MCCURRY: I'd have to ask the Department of Education whether they've studied that. I don't know that that's the argument. The argument is that this would be an incentive to students who might not consider going to college to seek the opportunity to do it, not that anyone is prevented from doing so for financial reasons. Obviously, we're talking about a $1,500 credit, but this makes it easier and might thus spur some to take advantage of opportunities, particularly community colleges, that they might not otherwise seek.

Q Mike, today being the anniversary of the downing of the two Cuban-American planes, has the President been in contact with any Cuban-American groups after he issued the communique?

MR. MCCURRY: Well, he has not directly been in contact, but the President did mark the occasion today of the shootdown by saying that the Cuban government's continuing repression of human rights activists and independent journalists underscores the need to continue working for a peaceful transition to democracy in Cuba.

And the President encouraged the entire international community -- with the United States in the lead -- to achieve just that. He noted that we've been working with our friends and allies to bring pressure to bear on Cuba to make that type of democratic change. The work on that certainly is active even today as we deal with issues related to pending -- legislation pending, adjudication of measures before the World Trade Organization.

But with the memory of the four victims of the illegal Cuban shootdown in the thoughts and prayers of Americans today, the President took the opportunity to reaffirm the commitment of our government to democracy, to the promotion and advancement of human rights in Cuba, and to prosperity for the people of Cuba who have been denied those benefits for too long by a very brutal, totalitarian regime.

Q Also on an anniversary, we're approaching the beginning of the Waco siege and we understand that the FBI is tracking two guys and a truck loaded with diesel fuel. Any comment on that?

MR. MCCURRY: I'd have to refer you to the FBI. If there is anyone that has anything for you on that shortly, it will be over there.

Q Mike, I'm going to try to ask a serious cloning question if you don't mind. Does cloning raise any moral or ethical considerations that the U.S. government should be concerned about?

MR. MCCURRY: It does. And in fact, the President today has asked his National Bioethics Commission, which he appointed last summer to review the ethical and legal issues associated with this development in technology. Some of you know Dr. Harold Shapiro who is the President of Princeton University is the chair of that commission appointed by the President last summer. The White House has asked the advisory commission to review that to make a judgment as to whether we really need to focus more clearly on the dimensions of this scientific and technological development that might pertain to any activity involving human beings specifically.

Q Does the President have any opinion about this himself?

MR. MCCURRY: I think he's -- it's a very troubling subject in that he -- the President signed in December of 1995 an executive order that bans the use of federal funds to create human embryos for research purposes. So clearly, denying federal funding for that type of human embryo research is a position that the -- is consistent with the President's executive order in 1995. Congress has also banned funding for that type of embryo research.

Now, those restrictions obviously only apply to federally funded research, and the advisory commission will be in a position to look at the issue of whether those doing private research through their own academic pursuits ought to be sensitive to these issues or whether there are any policy implications that arise from this development.

Q Mike, on Chung, did I understand you to say that you feel that the story about him and the beer is wrong? The story is that he was --

MR. MCCURRY: I read the story and I -- frankly, I don't -- I thought the story was that he had been prevented from doing what he had wanted to do. But why don't you ask Lanny Davis.

Q Mike, on the balanced budget amendment, what kind of direct conflict has there been in the last couple of days from the administration to undecided members? Who's called whom?

MR. MCCURRY: Well, there's been -- we've been very publicly making the case against that. The President spoke to that issue on Saturday. I'm not going to detail any of the private work that we've done with individual members of the Senate, but it's been a source of concern of the President. He's had private and personal conversations with a number of Senators about it.

Q Including Landrieu and Torricelli?

MR. MCCURRY: I'm just not going to detail specific members that he has talked to.

Q This morning, you had said that it was your understanding based on Rubin's comment that in fact those conversations -- Rubin and the President talking to Landrieu and Torricelli -- had occurred several weeks ago and you said you'd double-check that.

MR. MCCURRY: I think they had occurred some time ago. I'm not aware at this point of any conversations in the last couple of days, although I don't rule out that the President would be working the phones on that, although I don't think we would detail specifically who he's talked to.

Q I just want to make sure I understand what the commission is going to do -- the Bioethics Commission. They could come back and recommend federal legislation or scientific guidelines, or --

MR. MCCURRY: We've asked them only to review the legal and ethical implications of this technology and report back to the President within some defined period -- probably about 90 days. We're not asking them to reach any conclusion or make any specific recommendation.

Q And the President was prompted to make this request by the stories about Dolly the sheep?

MR. MCCURRY: Certainly by the very startling news from Scotland, yes.

Q Over the weekend, the bombing in Atlanta -- some of the folks down there complained that the President was very quick to condemn the bombing at the abortion clinic and at the Olympics, but he's been quiet when it happened to be a club that catered to gay Georgians. Is that -- is he not taking a stand on that?

MR. MCCURRY: I don't know that he is quiet or has any less a sense of outrage that anyone would target any group of Americans if that is, in fact, what happens. The point is, based on what federal officials, including the FBI and the ATF now know as they work aggressively on this matter is that we cannot declare a motive or declare that this has been directed against any particular community, but the possibility of that is sufficient that the President wanted to make sure that ample federal resources were available and, of course, if it is established that this is directed against gay and lesbian groups in particular, he would find that deeply troubling and would find that something that all Americans should join in condemning.

Q Any word on the Empire State Building shooting? Is there any -- as far as the White House goes -- connection to terrorist organizations or on between federal and local authorities, but I do not believe they've established any particular link suggesting that type of cause.

Q Mike, why was that Bioethics Commission formed last summer, and has it done anything between then and this --

MR. MCCURRY: They're looking -- we can work up some --there are a number of issues with respect to biotechnology and genetic research generally that caused the President to want to establish a very high-level group to review both legal and ethical issues surrounding all that type of research. They've been in formation, developing their agenda, beginning their work, and adding to it, and now will be this very interesting, perhaps troubling development with respect to the cloning in England.

Q Has he had them look at any other specific issues?

MR. MCCURRY: Yes. They have a number of things and we can go back and pull for you the paper and some of the issues that were identified at the time that we announced it. They're both in terms of animal husbandry, biogenetic research, biotechnical research underway, a number of issues within the scientific and technological committee that will be in the purview of the commission.

Q Okay, Mike, I'll ask a non-serious question. Several of my colleagues want to know, if the President could clone one individual, who would that be? (Laughter.)

MR. MCCURRY: I think it's more likely that I could identify for you those who he would wish to see uncloned. (Laughter.)

Q A serious follow-up -- so the way it stands now, it appears that this kind of research that was going on in England could go on here as long as it's not human research?

MR. MCCURRY: Well, there is research in the general area of bioengineering, biotechnology that is underway here, where some of the leading experts in the field are here. Now, to my knowledge, with respect to animal husbandry and animal cloning, I'm not aware that we've had any developments here like those that have been reported in Nature Magazine. But I'm not aware of anything that prevents it. I think it would be -- with respect to any human aspect, there would be federal restrictions that apply because of the restrictions on federal funding.

Q I have a follow-up, too. Does the President give them any deadline when to give the report --

MR. MCCURRY: I believe the draft letter circulating was going to suggest they would try to report on this specific issue within the 90-day period.

Q And would he favor a law that forbids this --

MR. MCCURRY: He would favor a very good, thorough, accurate review by his commission and would consider recommendations they would make.

Q -- tomorrow -- give us a little --

MR. MCCURRY: The meeting tomorrow is an opportunity to review the bilateral relations between the Kingdom and the United States; opportunity to talk about regional security issues, the security of the U.S. forces deployed in Saudi Arabia; issues pertaining to ongoing investigations of their security, the Khobar bombing, in particular; and the full range of measures that are normally on our bilateral agenda when we meet with the government of the Kingdom of Saudi Arabia.

Q To your knowledge, have there been any requests for military arms sales?

MR. MCCURRY: As I said earlier, Prince Sultan has indicated publicly that he does not plan to raise the issue and we do not plan to -- we're not planning for a discussion of it.

Q On the Empire shooting for a second. Does it highlight any flaws in the Brady Bill and the need for more stringent gun control laws?

MR. MCCURRY: I can't address that without fuller understanding of what local law enforcement have developed there. I think the Mayor and others have addressed many of those issues. I'd want to check further to see if there are any implications that involve federal authorities or federal statutes.

Q Maybe you push for a national card that would be issued ever two years to someone who wants to buy a handgun. What's the White House's --

MR. MCCURRY: Well, we've advanced the measures with respect to Brady act restrictions -- I think you know what they are. I'm not aware that that's one of them, but I think we've got good, sound reasons for pursuing some of the measures we proposed.

Q Any reaction to reports that Kenneth Starr has concluded that Vince Foster did, in fact, commit suicide?

MR. MCCURRY: I don't know if that's what he's concluded.

Q Mike, has the President been watching as Madeleine Albright has been tripping around the world, and does he have any reactions to her maiden voyage?

MR. MCCURRY: He likes the hat thing. That's really good. That's big. (Laughter.) He's not been surprised at all that she's had what I think is accurately being described as a triumphant tour. She, in her first outing as Secretary of State, has demonstrated an admiral ability to communicate effectively with those that she's met and, more importantly, with the people of the countries that she's visited. Sometimes, of course, in languages that are more user-friendly. She has pursued a range of menu items that reflect all of the work that we're doing in the field of public policy and foreign policy in the coming year.

She has ably articulated the six strategic objectives we have in this world ranging from the future of Europe to the future of Asia and all the subjects in between that reflect the new world that we live in. She's done so with a great deal of grace in reflecting the instructions of the President to work very vigorously to advance those strategic objectives he has outlined for the year ahead.

Q What are the couple of concrete things she's achieved in this trip that you would point to?

MR. MCCURRY: Well, she's had some very specific progress with respect to Europe coming together on the subject of NATO enlargement and how we will advance the work plan for NATO enlargement as we think ahead to Madrid, and then very importantly how that relates to the very important relationship we will develop with the Russian Federation.

A lot of the work that she's done, of course, comes back into the bilateral diplomacy that we will further in the coming years. She's had excellent and very cordial meetings with our closest European allies and had full exchange of views with them and advanced a number of specific objectives with respect to our relations with key allies in Europe.

And of course, she's just concluded very important meetings in Asia in which she had a very important, sensitive and delicate time -- has been able to explore a range of issues with respect to our relationship with the People's Republic that will contribute directly to the Vice President's visit there later this spring and presumably to the highest level exchange of visits that we foresee.

She's also done some impressive work with respect to promoting peace on the Korean Peninsula. As you know, during the course of her visit, we were able to announce that the briefing for the four-party talks will proceed and in Japan she reaffirmed our very close relations with the government of Japan, worked through a number of issues that the President and the Prime Minister will be able to explore later this year, but again, touching base with a very key strategic ally of the United States in the Pacific region.

So, in short, on many of those very key issues the President identified as his strategic objectives for 1996, she moved the ball in each and every case. And it was, in short, a triumphant journey.

Q And eleven out of ten -- how about human rights in China? Human rights in China.

MR. MCCURRY: What?

Q Did they deal with human rights at the Chinese meeting?

MR. MCCURRY: Absolutely. She said -- as Secretary Albright said, the Chinese knew she would raise it and she did, and they explored those issues. The United States reiterated any importance it attaches to the Universal Declaration of Human Rights and human rights subjects generally. The response of the Chinese is the one that she has now reviewed publicly with the press corps traveling with her.

Q Mike, President Yeltsin yesterday reiterated his opposition to expanding NATO and suggested that there was some compromise that he and the President could reach during their visit together in Helsinki. What compromise could he have been talking about? Is there a compromise?

MR. MCCURRY: There's no compromise on the central fact that we will explore with our treaty ally partners the expansion of NATO at the Madrid summit later this year. But there is ample room for a productive exchange with the Russian Federation and working a relationship with the Russian Federation that reflects Russia's greatness and its importance to the continent of Europe and the role it will play, we believe, in the future of an undivided democratic, peaceful Europe as we think of the decades ahead. There is ample room for dialogue between the two Presidents on that subject, and we would also affirm that the United States is willing to be, as Secretary Albright said, flexible in our discussions with the Russian Federation on how to best evolve the partnership that should exist between Russia and NATO on those subjects germane to the future of Europe.

How about some on NATO?

Q No.

MR. MCCURRY: How about some more?

Q Thank you.

MR. MCCURRY: It's better than those other subjects.

Q You've got it down cold, though.

Q Anything more on the Hawaii trip? (Laughter.)

MR. MCCURRY: We were going to send you out on a scouting party.

THE PRESS: Thank you.

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