

**To:** cabinet affairs  
**cc:** Stephen B. Silverman/WHO/GOV@WHO  
**From:** Sandy Mancini/Department of the Treasury @ DEPARTMENT OF THE TREASURY  
**Date:** 02/01/1996 07:27:07 PM  
**Subject:** Weekly report

June 1, 2018 [autodate]

**MEMORANDUM FOR LEON PANETTA, THE WHITE HOUSE**

**FROM:** Robert E. Rubin  
**SUBJECT:** Weekly Report for the week of February 5, 1996

**KEY DEPARTMENT NEWS**

Possible Treasury-related topics for press coverage include:

- Budget Negotiations and Debt Limit

**THE WEEK AHEAD**

**My Activities:** On Monday, I will attend a farewell luncheon for departing Under Secretary for Enforcement Ron Noble. On Tuesday, I will address the annual meeting of the AARP Legislative Council. I will also participate in a conference call regarding candidate protection, along with the members of the Congressional leadership. On Wednesday, I will attend an event at the White House to present Olympic coins to the President. On Thursday, I will testify before the House Banking Committee on debt limit, along with Chairman Greenspan. On Friday, I will travel to Pittsburgh to attend a fundraiser for Representative Coyne.

**Community Development Financial Institutions Fund:** The application deadline for the CDFI Program and the BEA Program was January 29, 1996. The Fund is in the process of logging in all applications. It is estimated that more than 200 CDFI and more than 40 BEA applications were received. The CR passed by Congress and signed by the President on January 26 provided the Fund with 75 percent of the FY 95 funding levels until March 15. On February 2, the Fund held its first Advisory Board meeting. The Board is comprised of representatives from the Departments of Agriculture, Commerce, HUD, Interior and Treasury, the SBA, and nine private-sector individuals appointed by the President.

**Social Security:** The Social Security Advisory Council is nearing the completion of its work. Their report is currently expected to be submitted to Secretary Shalala and released to the public

sometime in February.

**Bilateral Financial Services Meetings with Japan:** Treasury's Office of the General Counsel will participate in talks with the Japanese Ministry of Finance scheduled for February 6 and 7. The purpose of the meetings is to follow up on the agreement concluded last year between the United States and Japan concerning financial services. Among other things, that agreement allowed for greater access by U.S. financial institutions to the management of Japanese pension funds.

**OFAC Training Bankers:** On March 15, OFAC will sponsor training seminars for over three hundred bankers in New York City, the purpose of which is to promote compliance with OFAC regulations. OFAC is also preparing, in cooperation with the American Bankers Association and the US Chamber of Commerce, two half-hour video productions on compliance with OFAC regulations. The segments will be broadcast to small and medium size banks in early February over Association's Skylink network.

**P8 Senior Experts Working Group:** Treasury's Office of the General Counsel will participate in the third meeting of the P8 Senior Experts Working Group in Paris next week. The group continues to develop and review proposals to combat transnational organized crime.

## CONGRESS

**Sallie Mae Privatization:** Senate Democratic staff, at the request of Senator Kennedy, will convene a meeting with key Senators to discuss Treasury's and Sallie Mae's views on the privatization provisions in the House version of the Sallie Mae privatization bill. In particular, they will discuss whether Sallie Mae's shareholders or the government should decide whether to eliminate government sponsorship.

**House Banking Committee Hearings:** On January 25, House Banking Committee Chairman Jim Leach announced a schedule of hearings for the month of March that will include many different policy and operational areas that are of concern to Treasury. The hearings include: a March 6 hearing on Electronic Benefits Transfer (EBT); a March 13 hearing on risk assessment of financial institutions; a March 20 hearing on the Chinese banking system; a March 27 hearing on bank regulatory consolidation. We also understand that some of the Banking subcommittees plan to hold hearings on international financial crime (with attention to Russia), including counterfeiting and money laundering.

**Mexico:** On January 31, my monthly report to Congress on Mexico was transmitted. On January 29, Senate Banking Committee Chairman Alfonse D'Amato and Senator Dianne Feinstein introduced three separate pieces of legislation related to Mexico. The most prominent of the three measures would prohibit the Department of the Treasury from the continuation of the support program through August 21, 1996 unless the President certifies to the Congress that Mexico has taken a number of steps to improve drug interdiction and law enforcement.

**FY 1997 Treasury/Postal Appropriations:** House and Senate appropriators are beginning to develop their schedule for considering Treasury's FY 1997 budget proposal. Regardless of the

progress on the budget talks, the House Treasury/Postal Subcommittee will begin the budget season with a March 6 hearing on Treasury law enforcement. Hearings on the IRS and individual law enforcement bureaus will follow, ending with the annual Treasury overview hearing on March 28. To cut down on the number of hearings held by the Subcommittee, reviews of the DO and fiscal bureau budgets will be conducted in private sessions with staff.

**Waco:** It is expected that a draft of the House Waco report will be made available to House Democratic staff this week or next. Once the draft is available, Treasury's Office of Enforcement will have two weeks to work with the staff to formulate minority views which will become part of the report.

**Bosnia:** Treasury, in coordination with the State Department, the World Bank and the International Monetary Fund, continues to conduct briefings for key Congressional appropriators and authorizers on Bosnian economic and technical assistance.

**Tax Systems Modernization (TSM):** Treasury's Congressional appropriators have requested Deputy Secretary Summers to testify on the ways in which Treasury is overseeing the Tax Systems Modernization project. Testimony is scheduled for March 14. They have also requested testimony from IRS Commissioner Richardson to take place after Mr. Summer's testimony.

**Regulatory Burden/Financial Modernization:** It was reported that at last week's caucus of House Banking Committee Republicans, certain key members of the Committee requested that Chairman Jim Leach move a regulatory relief bill separately from his Glass-Steagall reform bill. Chairman Leach is reluctant to divide the two issues, but acknowledged that if the Glass-Steagall bill stalls once again, he may be willing to move regulatory relief separately. It appears that Chairman Leach may begin to take action on Glass-Steagall as early as March.

## REGULATORY ACTION

**Currency Reporting for Tribal Casinos:** FinCEN has published a final regulation that will extend to tribal casinos the currency reporting requirements of the Bank Secrecy Act (BSA) that apply to state-licensed casinos. Tribal casinos were previously subject to the currency reporting system used by other businesses not covered by the BSA. However, FinCEN feels that this reporting system was not adequate for casinos because it only covered the cash a customer spends or otherwise puts into a business; not the cash out, or winnings. This regulation carries out Congress's intention of treating tribal casinos and state-licensed casinos equally and implements a provision of the 1994 Money Laundering Suppression Act.

**Suspicious Activity Reports:** FinCEN has published a final regulation which will consolidate the reporting of suspicious financial activities by creating a single reporting form, the Suspicious Activity Report, a single filing point, and a centralized data base, to be used by all financial institutions. At present, banks report known or suspected criminal transactions by filing multiple copies of criminal referral forms with their respective federal regulators and federal law enforcement agencies. The regulation implements a section of the 1992 Annunzio-Wylie Anti-Money Laundering Act.

**Customs' Seizure Authority:** Customs has published a final regulation which will clarify their authority to seize merchandise found to be imported in violation of the law. The regulation will specify those circumstances under which seizure is mandatory and those under which it is permissive. Generally, seizure is mandatory where merchandise has been stolen or smuggled, or where it contains controlled substances or contraband. Seizure is permissive in the case of merchandise which is legal but whose attempted importation is not in compliance with applicable regulations (e.g. an article whose importation requires, but is not accompanied by, a permit). The final regulation was issued pursuant to the Customs Modernization Act.

**Preventing the Conversion of Ordinary Income Into Capital Gain:** The IRS has published a final regulation which will permits taxpayers to net gains and losses from positions within a conversion transaction. A conversion transaction is any transaction in which substantially all of the taxpayer's expected return comes from the time value of the taxpayer's investment (i.e. where shortly after a piece of property is purchased, the buyer enters into an agreement to sell it at a fixed price at a date in the future to be determined by the buyer). This netting will allow taxpayers to limit the amount of capital gain that is treated as ordinary income and provides relief from an unintended consequence of a provision added to the tax code by the OBRA '93.

## PRESS

**Washingtonian Magazine to Feature ATF:** The February edition of Washingtonian Magazine will feature an article focusing on ATF's role in helping a DC street gang member leave his gang. The article is entitled "Breaking Away."

## WEEK IN REVIEW

### A. Events and Issues

**My Activities:** On Monday, I participated in a meeting with Vice President Gore and Russian Prime Minister Chernomyrdin. On Tuesday, I met separately with Senator Thad Cochran and Senator Ted Stevens on the debt limit, and attended the President's budget meeting with Members of Congress. I also attended the Treasury Borrowing Advisory Committee reception, and was interviewed by a reporter from The Economist. On Wednesday, I hosted a meeting of the law enforcement bureau heads chaired by Attorney General Reno. I met with Brian Williams from NBC News, and with the House Blue Dog Coalition on debt limit. I also met with Senator Shelby on debt limit and appropriations issues, and met with Director Rivlin on the international budget.

On Thursday, I met with Director Rivlin on Treasury's budget, and I met with Chairman Greenspan. I also addressed the kick-off event for Black History Month at Treasury at which Secretary Jesse Brown was the keynote speaker. I attended the expanded bilateral with President Clinton and French President Chirac, and attended the White House State Dinner honoring President and Mrs. Chirac. On Friday, I met with Chairman Greenspan, addressed the first meeting of the Advisory Board of the CDFI Fund, and met with Senator Kassebaum on debt

limit.

**The Fed Cuts Rates:** The Federal Open Market Committee held two days of meetings on January 30 and 31. At the conclusion of the meetings, the Fed announced a 1/4 point reduction in the Fed funds target rate to 5.25 percent and a 1/4 point reduction in the discount rate to 5.00 percent, effective immediately.

**Farrakhan Trip to Libya May Have Violated OFAC Regulations:** The press reported that Louis Farrakhan met with Muammar Ghaddafi last week in Libya. Libyan sanctions regulations prohibit US persons from engaging in unlicensed travel related transactions to or within Libya, as well as contracting with or receiving funds from the Libyan government. OFAC has received no license request from Farrakhan for a trip to Libya, and plans to request further information about the trip from Farrakhan.

**National Space Policy:** Treasury's Office of Economic Policy participated in a working group chaired by the National Security Council (NSC) and the National Science and Technology Council (NSTC) on national space policy. Treasury's role dealt principally with space policy as it relates to private sector and commercial activities. The working group expects to send its recommendations to the NSC/NSTC Deputies during February. While primarily related to national security and the Government's civil space program, the policy will give strong guidance to Federal space programs on commercialization of intellectual property rights, improving procurement practices and avoiding actions that preclude or preempt private sector space activities.

**CFTC:** Treasury officials met with CFTC representatives to examine the issues related to the scope of the exception to the Commodities Exchange Act in the Treasury Amendment. Discussions focused on the CFTC's enforcement authority for foreign exchange speculation with retail customers..

**Quarterly Refunding:** Treasury completed its regular quarterly meeting with the Treasury Borrowing Advisory Committee, and announced the schedule and amounts of borrowing in our quarterly refunding. Treasury increased each of the 3-year, 10-year and 30-year securities by \$0.5 billion. We also announced a cash management bill. The securities will be issued on February 15. Because of last week's announcement of actions Treasury will take to stay under the debt limit on February 15, the announcement of our borrowing plans is not, unlike the situation in November, conditioned on an increase in the debt limit.

**IRS Internet Service:** The popularity of the new IRS Internet Service continues to rise. Although only in service for two weeks, the IRS site had over one-half million accesses by January 18. That makes the IRS Home Page one of the top volume information servers on the Internet.

## B. Congress

**Multilateral Development Institutions:** The House and the Senate concluded action last week and adopted within the most recent continuing resolution FY 1996 appropriations for foreign

operations including funding for the multilateral development banks. The agreement reflected levels of funding agreed to last November by House and Senate conferees. Included within the compromise adopted by the House and Senate was a prohibition on federal funding to international organizations which provide abortion services, unless specifically authorized before July 1, 1996. If the authorization (for those family planning programs) has not occurred, funding for those programs shall not exceed 65% of FY95 levels. The appropriations bill also prohibits the use of federal funds for embryo tissue research.

**Farmer Mac Legislation:** Both the Senate and House have approved amendments to Farmer Mac's franchise. The enrolled bill would increase the scope and risk of Farmer Mac's operations, while delaying for three years a corresponding increase in its capital requirements. The legislation also contains various Farm Credit System regulatory measures. Treasury expressed its concerns about the bill in a letter to Congress. It is, however, likely the bill will become law.

**Capital Gains Taxes:** On January 28, Treasury's Office of Legislative Affairs staff met with representatives of the commercial real estate industry to discuss their concerns about how any capital gains tax proposal is enacted.

**SAIF Phase I Legislation:** Treasury's Office of the General Counsel office reviewed revised conference language on SAIF capitalization that OMB hopes to incorporate into a possible compromise on the budget. The OMB proposal would keep most of the conference language intact, but would strike several special interest provisions and add Treasury/FDIC language to clarify that certain institutions cannot evade the special assessments on thrifts. Treasury officials also attended a briefing held by the FDIC for the American Bankers Association to explain the timeline for implementation of SAIF Phase I.

**Comprehensive Tax Reform:** On January 29, Democratic Leader Gephardt's office hosted a meeting to discuss possible issues related to comprehensive tax reform. In addition to distributional analysis, these issues include impacts on farmers, health insurance, the housing market, pensions, jobs, and worldwide market flows.

**Hearings on Kemp Commission Report:** On January 28, the Senate Finance Committee held a hearing on the findings of the Kemp Commission. Jack Kemp and other Members of the Commission testified. In announcing the hearing, Chairman Roth noted that his main priority this year "will be to lay the groundwork for a comprehensive restructuring of our tax system through a series of hearings." Treasury's Office of Legislative Affairs worked with the offices of Senators Moynihan, Conrad, Breaux, and Moseley Braun (likely Democratic attendees) to develop questions related to the Kemp Commission proposals.

## SECRETARY'S SCHEDULE FOR THE WEEK

- |            |   |
|------------|---|
| February 5 | Remarks at Under Secretary Noble's Farewell   |
| February 6 | Address the Annual Meeting of the AARP Legislative Council<br>Participate in a Candidate Protection Conference Call |

February 7            Olympic Coin Event at the White House

February 8            Testify before the House Banking Committee on debt limit

February 9            Attend Fundraiser in Pittsburgh for Representative Coyne

**Record Type:** Record

**To:** Cabinet Affairs

**cc:**

**From:** Ida Ghaffari/EDUC/GOV @ EDUC

**Date:** 09/19/1996 02:28:46 PM

**Subject:** Cabinet Report for September 22-28

## October 1996 • Secretary Richard Riley

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		M C Gumbleton	Ed Prewitt	Ed Prewitt	Jay Blanchard	Jay Blanchard
		1 9:30-10:30 21st Century Teachers Kick-Off Press Conf <b>REMARKS</b>	2 8:10-9:50 am Fly to Detroit <b>MELVINDALE, MI</b> 11:00-1:00 Challenge Grant Announcements <b>Advance:</b> Mary Claire Gumbleton 1:55-3:20 Fly to WDC  <b>TENTATIVE:</b> <b>HARTFORD, CT</b> 9:00-10:00 Vice Presidential debate	3 10:00-11:30 Hammer Awards 12:32-4:45 Fly to Las Vegas	4 <b>NEVADA</b> 10:00-11:00 Back-to-School Event per JDavis <b>REMARKS</b> <b>Advance:</b> Shawn Polk 12:30-1:55 Fly to San Francisco  <b>CALIFORNIA</b> <b>WALNUT CREEK</b> (p) 3:00-4:00 Event for Ellen Tauscher (CA-10) <b>REMARKS</b>  <b>BERKELEY</b> 6:00-8:00 UC Dinner <b>KEYNOTE</b> per Gene Garcia <b>Advance:</b> John Funderburk	5 <b>CALIFORNIA</b> <b>SANTA ROSA (p)</b> 12:00-1:00 Event for Michela Alioto (CA-01) <b>REMARKS</b>  1:46p-12:00a Fly to WDC

Jay Blanchard	Kitty Signs	Kitty Signs	Kitty Signs	Ed Prewitt	MC Gumbleton	MC Gumbleton
6 10:00-11:00 Red Mass	7 6:45-8:16a Fly to Cincinnati S. OHIO (p) 9:30am-6:30pm Events w/ TED STRICKLAND REMARKS 7:00-8:00 Fly from Columbus to Cleveland RON Cleveland	8 CLEVELAND 9:00-10:00 Tent meeting w/Bishop Pilla 11:00-12:00 Lorraine Community College event w/ Cong. Sherrod Brown REMARKS  12:00-1:30 Drive to AKRON, OH 2:00-4:00 NETDAY Kick-Off & Ed Tech Conference w/Cong Sawyer REMARKS Advance: Mary Claire Gumbleton 5:00-7:00 Cong. Sawyer FR (p) REMARKS 8:15-9:245 Fly to WDC	9 2:00-2:30 Meet Hispanic Teacher of the Year per ARamirez          TENTATIVE FLORIDA PM Fly to ST. PETERSBURG 9:00-10:00 Presidential Debate	10 TENTATIVE-NC 7:45-8:45 Fly to NC DURHAM, NC (p) 9:30-11:00 School Event for Bill Hefner (NC-08) REMARKS 11:30-12:30 FR for Bill Hefner 1:00-2:30 Drive to Fayetteville  FAYETTEVILLE, NC (p) 2:30-4:00 Events for Bob Etheridge (NC-02) REMARKS 5:00-6:00 FR for Bob Etheridge REMARKS 7:35-10:53 Fly to WDC	11 WDC 9:00-9:45 Alliance for Arts Education Press Conf REMARKS  3:35-5:26 Fly to Minneapolis MINNESOTA (p) 6:00-8:00 Minneapolis DFL FR REMARKS 9:40-1:00a Fly to Philadelphia  RON Philadelphia	12 10:00-11:00 Drive to Princeton PRINCETON, NJ 11:15-1:00p Dodge Foundation Parents as Partners SPEECH  Advance: Shawn Polk  1:30-2:30 NETDAY/NJ 2:30-3:30 Drive to Philadelphia Airport 4:05-5:13 Fly to WDC

John Funderburk	John Funderburk	Ed Prewitt	Ed Prewitt	John Funderburk	Jay Blanchard	MC Gumbleton
13	14 <b>COLUMBUS DAY</b>	15 (Congress Adjourns)  6:00-9:00 Satellite Town meeting	16 2:00-3:00 Goals 2000 Teachers' Forum  <b>TENTATIVE CALIFORNIA PM Fly to SAN DIEGO</b> 6:00-7:00 Presidential Debate	17 11:00-7:00 Fly to WDC	18 <b>MACON, GA (p)</b> 9:00-12:45 Fly to Macon, GA 12:45-1:30 FR Event for Jim Wiggins (GA-08) <b>REMARKS</b> 1:45-2:30 School Visit w/Jim Wiggins  3:40-6:10 Fly to Charlotte, NC 6:30-8:00 Bill Hefner FR (NC-8) <b>REMARKS</b>	19 <b>SOUTH CAROLINA AM NETDAY REMARKS</b>  Advance: John Funderburk  <b>TENTATIVE</b> SC Dem Party FR

MC Gumbleton	Shawn Polk	Kitty Signs	MC Gumbleton	John Funderburk	Jay Blanchard	MC Gumbleton
<p>20</p> <p><b>SOUTH CAROLINA</b></p> <p>9:00-2:00 DNS</p> <p>2:30-5:55 Fly to PORTLAND,OR (p)</p> <p>6:30-7:30 Oregon Dem Party FR</p> <p><b>REMARKS</b></p>	<p>21</p> <p>9:18-10:57 Fly to San Francisco</p> <p><b>SAN FRANCISCO</b></p> <p>12:00-1:00 Improving America's Schools Conference per Kohlmoos <b>SPEECH</b></p> <p>Advance: Jay Blanchard</p> <p>2:50-11:42 Fly to Augusta, GA</p>	<p>22</p> <p><b>AUGUSTA, GA (p)</b></p> <p>11:30-12:30 FR for David Bell</p> <p><b>REMARKS</b></p> <p>1:00-2:00 School visit w/ David Bell (GA-10)</p> <p><b>REMARKS</b></p> <p>3:00-5:52 Fly to WDC</p>	<p>23</p> <p><b>SYRACUSE, NY (p)</b></p> <p>8:20-11:08 Fly to Syracuse, NY</p> <p>11:30-12:30 School visit w/ Marty Mack (NY-25) <b>REMARKS</b></p> <p>12:45-1:30 FR for Marty Mack</p> <p><b>REMARKS</b></p> <p>2:05-3:30 Fly to BWI</p>	<p>24</p> <p>(United Nations Day)</p> <p>9:00-12:00 DNS</p>	<p>25</p> <p>8:00-10:57a Fly to Des Moines</p> <p><b>IOWA(p)</b></p> <p>11:00-4:00 Events w/ Sen. Tom Harkin</p> <p><b>REMARKS</b></p>	<p>26</p> <p>7:25-12:37 Fly to <b>BOSTON (p)</b></p> <p>1:00-2:00 NETDAY w/ Sen. John Kerrey</p> <p><b>REMARKS</b></p> <p>4:30-5:55 Fly to Philadelphia</p> <p><b>VALLEY FORGE, PA</b></p> <p>7:00-10:00 PA PTA Dinner <b>KEYNOTE</b></p> <p>Advance:</p> <p>10:17-12:12 Train to WDC</p> <p>Advance: Shawn Polk</p>

Jay Blanchard	MC Gumbleton	Kitty Sigis	MC Gumbleton	Jay Blanchard		
27	28	29 <b>NEWARK, NJ</b> 2:30-4:30 Video Conference re Media Literacy <b>SPEECH</b>  <b>Advance: Jay</b> <b>Blanchard</b>	30	31 (Halloween)		

September 19, 1996

MEMORANDUM FOR LEON PANETTA, THE WHITE HOUSE

FROM: Richard W. Riley

SUBJECT: Weekly Report for September 22-28

**KEY DEPARTMENT NEWS**

• **FY 1997 Appropriation:** The Senate Appropriations Committee reported the FY 1997 Labor-HHS-Education Appropriations bill September 12; floor action is scheduled for September 19 and 20. Senate Republican leaders announced September 17 plans to restore \$2.3 billion in education funding to the bill. As reported by the committee, the bill would provide \$23.35 billion in discretionary funds for the Department, which is \$0.6 billion more than the House-passed version of the bill but \$2.2 billion less than the President requested. The committee's version would increase funding for administration of the Direct Loan program by \$20 million over the House-passed level; however, most of the increase would be spent for higher administrative cost allowances than the Department planned to pay to guarantee agencies, and the total amount still falls \$51 million short of the Administration request. Unlike the House version, the Subcommittee's bill would fund GOALS 2000 (at \$340 million, the 1996 level), Parental Assistance (\$15 million), Eisenhower Professional Development (\$275 million, the same as 1996), Perkins Loans (\$68 million), Star Schools (\$23 million, the same as 1996) and 14 other categorical programs the House terminated. Neither version would fund the President's proposed Technology Literacy Challenge Fund or Presidential Honors Scholarships. The House could take up a continuing resolution which would include funding for the Department at any time.

• **Sallie Mae "Candidate's Package":** The Department has recently obtained a copy of a document prepared by Sallie Mae entitled "Responding to Clinton/Democratic Charges on Student Loans: Candidate's Package on Federal Student Loans." The document is circulating on Capitol Hill. The 10-page document, which advises Republican candidates on how to defend themselves from criticisms of their opposition to the Federal Direct Student Loan Program, was apparently prepared by Sallie Mae staff for Congressman Tom Davis. Sallie Mae has told the Department that Representative Davis asked a Sallie Mae employee for responses on Direct Lending. Representative Davis has a Sallie Mae facility in his district; he is a member of the National Republican Congressional Committee's Executive Committee. The document itself does not indicate who at Sallie Mae prepared it, but the cover sheet accompanying its

transmittal to Congressman Davis' office lists the Sallie Mae Director of Government Relations as the sender. Sallie Mae has sent the Secretary a letter regretting the document and stating that Representative Davis was the only "member who was sent the document."

- **National Distinguished Principals:** Secretary Riley will speak at the September 20 awards ceremony honoring 59 outstanding elementary and middle school principals.

- **Meeting with Governor Paul Patton:** Secretary Riley will discuss education reform with the KY Governor September 20.

- **Urban League Event:** Secretary Riley will speak at a DC event September 21.

- **Historically Black Colleges and Universities (HBCU):** Secretary Riley will address the HBCU Presidents Board Meeting September 23. September 22-28 is National Historically Black Colleges Week.

- **Improving America's Schools Conference:** The first of three regional conferences sponsored by the Department is scheduled for September 24-26 in St. Louis. Other regional conferences are in San Francisco, October 20-22, and Atlanta, November 20-22.

- **Hispanic Initiative Event:** Secretary Riley will speak at a September 26 White House event presenting the Annual Report of the President's Advisory Commission on Educational Excellence for Hispanic Americans, which was released September 12.

- **Adult Literacy Awards:** Secretary Riley will make remarks at the September 26 Awards Luncheon.

- **Bank Street College:** The Secretary will speak at the September 30 inauguration of Dr. Augusta Kappner, former Assistant Secretary for Vocational and Adult Education, as the New York college's president.

- **Net Days:** Secretary Riley is scheduled to participate in Net Days October 8 in Akron, OH, with Congressman Tom Sawyer; October 12 in Princeton, NJ; October 19 in SC; and October 26 in Boston.

- **Appearances for Congressional Candidates:** The Secretary will appear at campaign events for Ellen Tauscher in CA October 4; Michela Alioto in CA October 5; Ted Strickland in OH October 7; Congressman Tom Sawyer in OH October 8; and Congressman Bill Hefner and Bob Etheridge in NC October 10.

## AGENCY WORK ON PRESIDENTIAL INITIATIVES

- **Charter Schools Grants:** The Secretary is scheduled to announce awards to 19 states October 2 in Michigan.
- **GOALS 2000:** The Department is scheduled to announce September 26 funding for districts in 3 states where districts were for the first time allowed to apply directly to the Department for GOALS 2000 funds -- MT, NH and OK.

## NOTABLE CONGRESSIONAL ACTIVITY

- **Possible GOALS 2000 Amendment:** An amendment may be offered during Senate consideration of the Labor-HHS-Education appropriations bill that would permit states that decline to accept funding under GOALS 2000 to use for other purposes the allocation they would have received. Secretary Riley has expressed strong opposition to the measure.
- **CAREERS/Workforce Development:** Neither chamber has considered the conference report on this bill. Senator Kassebaum continues to try to bring the conference report to the Senate Floor. The Administration remains opposed to the final conference version and Senator Kennedy would probably filibuster if the bill were brought up.
- **Individuals with Disabilities Education Act (IDEA).** The House passed its IDEA reauthorization proposal on June 10 by voice vote, with no amendments, and the Senate Committee on Labor and Human Resources reported out its proposal on March 21. House and Senate Republicans are reportedly negotiating language that could pass both houses without a formal conference; Department staff do not know the substance of the compromise proposals.
- **Teen Drug Use Hearing:** The House Government Reform and Oversight Subcommittee on National Security, International Affairs and Criminal Justice will hold a hearing on September 26. Department representatives have not been asked to testify.

## SECRETARY'S SCHEDULE

Please see attachment.

## SUB-CABINET SCHEDULE

Please see attachment.

## **PRESS/MEDIA INQUIRIES**

• **Department Officials Interviewed:** The premier of "Crossroads Cafe," a new adult literacy program, was covered by AP, Reuters, U.S. News and World Report, and Telemundo Television. Local media covered Secretary Riley's September 10 visits to two Pennsylvania elementary schools. The September 12 release of the report of the National Commission on Teaching received widespread national media coverage. The New York Times and Education Week covered Secretary Riley's September 12 Family Education Network briefing. Secretary Riley was interviewed September 12 by Los Angeles talk show host Michael Jackson, following the President's charter schools announcement.

## **FOIA REQUESTS**

There is nothing new to report this week.

## September 1996 • Secretary Richard

Riley

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	Kitty Signs	Kitty Signs	Kitty Signs	Ed Prewitt	Jay Blanchard	Jay Blanchard
	2 LABOR DAY	3  <b>NEW YORK</b> 8:45 NY Stock Exchange 9:30-10:30 Press Conf w/Rudy Crew <b>Advance: Shawn Polk</b> 12:30 Fly to Nat'l	4 (Congress Returns) 10:00-10:15 Tech Meeting Drop-By 10:15-10:30 Interview briefing 10:30-11:00 Interview w/ <u>Newsweek</u> & <u>ED Week</u> 12:00-12:15 Phone mtg. W/ William Shifflet 1:30-2:15 Mtg. W/ Frank, Judy Win. Re Fairtest Case 2:15-4:00 Speech Prep 4:00-4:30 Video Tape for AACC Conf <b>REMARKS</b> 4:30-5:00 Briefing for Brazil video conf. 5:00-5:30 Mtg. W/ Judy Heumann 6:00-6:30 Video conference to Brazil <b>REMARKS</b>	5 9:00-11:00 Speech Prep 12:00-2:00 National Press Club Back-to-School <b>SPEECH</b> 2:30-3:30 Clinton/Gore Radio Time 4:00-5:00 Sallie Mae Meeting 5:30-? DNS/Webster Event	6 9:30-9:45 Phone call w/ Sen. Kennedy 9:45-10:00 Meeting w/ Linda Roberts 10:00-10:30 Brief for Fairfax taping 10:30-11:00 Fairfax taping <b>REMARKS</b> 11:00-11:30 videotape for Adel Nadeau <b>REMARKS</b> 11:30-12:00 Briefing for NCWGE 12:00-1:00 Budget meeting 1:00-2:00 Mtg. w/ NCWGE 2:00-2:30 OVAE Briefing 2:30-3:00 briefing for NY School mtg. 3:00-3:45 Meet w/ NY School Officials per Sen Moynihan re: IDEA 4:00-5:00 Taping for Sen. Bryan <b>REMARKS</b> 6:00-7:00 NCEO Awards Banquet <b>REMARKS</b>	

## September 1996 • Secretary Richard

### Riley

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					8:00 Webster Dinner	

Ed Prewitt\	Ed Prewitt	Jay Blanchard	Ed Prewitt	John Funderburk	Shawn Polk	Kitty Signs
8	9	10	11	12	13	14
	<b>BALTIMORE</b> 10:00-10:45 Back-to-School Event w/ Gov Glendenning <b>REMARKS</b> Advance: Mike Ratzlaff 11:45-12:45 OVAE Luncheon <b>REMARKS</b> 1:00-1:30 BellSouth Netday Kick-Off Video Conf <b>REMARKS</b> 2:00-2:30 PA trip briefing 2:45-3:15 Latino Leadership Conf. <b>REMARKS</b> 3:30-3:45 Pat Forgione Swearing-In <b>REMARKS</b> 4:00-5:30 Cardinal Bernardin Speech & reception @ GU 6:00-7:00 Cabinet Briefing	<b>PITTSBURGH</b> 7:45-8:49 Fly to Pittsburgh 9:30-10:15 Back-to-School Event @ McLeary <b>Elementary SPEECH</b> 10:20-10:40 Meet w/Bayer Execs 11:50 Fly to Erie, PA <b>Advance: Kitty Signs</b>  <b>ERIE, PA</b> 1:00-2:00 Back-to-School Event @ Jefferson School <b>SPEECH</b> <b>Advance: Ed Prewitt</b>  3:00-6:12 Fly to Wash/National 7:00-9:00p Japanese Embassy Dinner for Slatkin	10:00-11:00 Bruton Address to Congress 11:30-12:30 Budget Briefing 12:30-1:00 IDEA Meeting 1:00-1:30 Family ED Network Taping 1:30-2:00 Hold for CBS Intv. 2:00-2:30 Conf. Call w/ Sen. Kerry & Kennedy 3:15-3:30 OPM Awards event <b>REMARKS</b> 4:00-4:30 Meet w/ Linda Quinn, Principal in Residence 4:30-5:00 Ed Town Hall Briefing 5:00-5:30 Budget Briefing 5:30-6:00 Briefing on Gov. Hunt Press Conf 6:30-7:30 Ed Town Meeting 8:00-10:00p Irish Dinner for John Bruton	8:45-10:00 Family Education Network Press Conference <b>REMARKS</b> 10:15-11:00 Nat Com on Teaching Press Conf w/Gov Jim Hunt <b>REMARKS</b> 11:30-12:00 Meet w/Stanley Ikenberry, ACE President 1:00-2:00 Meeting on <u>Aguilar v. Felton</u> 2:30-4:00 Budget Briefing 8:30-10:00 Kennedy Center Event	9:00-9:30 Briefing for Press Conf. 10:00-10:30 Budget Press Conf. <b>REMARKS</b> 11:00-11:45 Meeting w/Jack Lew (OMB) @ OEOB 1:00-2:00 Meet w/ VPOTUS re: Empowerment Zones 2:30-3:00 Meeting w/ Sharon Robinson 3:15-4:00 Interview w/ Newsday-Viewpoint  6:00pm DNS	<b>RALIEGH, NC</b>  7:45-8:20 Drive to Andrews AFB  8:40-9:40 Fly to Raleigh, NC aboard AF-1  10:30-11:45 Flood Relief Briefing w/ POTUS <b>Advance: Jay            Blanchard</b>  12:35-1:35 Fly to Andrews AFB

John Funderburk	Kitty Signs	Kitty Signs	Jay Blanchard	Kitty Signs	Jay Blanchard	MC Gumbleton
	<p>16</p> <p>12:30-1:00 NRC Briefing</p> <p>1:00-1:45 Meeting on NRC</p> <p>2:00-2:30 Meeting w/ Linda Quinn (Principal in Residence)</p> <p>3:00-3:30 Taping for Alaska ED Conf.</p> <p><b>REMARKS</b></p> <p>5:00-5:30 Briefing for NY State School Officials meeting</p> <p>5:30-6:00 Meeting w/ NY State School officials</p> <p>7:00-7:10 ACE Board Dinner Drop-By</p> <p><b>REMARKS</b></p> <p>7:30-8:15 CEF Awards Dinner</p> <p><b>REMARKS</b></p>	<p>17</p> <p>10:00-10:30 Briefing for STM</p> <p>10:30-11:00 Phone Call to Mark Musik</p> <p>3:30-4:00 Briefing for Radio Interviews</p> <p>4:00-4:30 WH Radio Interviews</p> <p>5:00-6:00 Domestic Policy Council re: Family-Friendly Workplace</p> <p>6:00-9:00 Satellite Town meeting RE Back-to-School</p>	<p>18</p> <p>11:00-11:30 Meeting w/ Sharon Robinson</p> <p>12:00-1:00 Senior Staff Lunch</p> <p>1:00-1:30 STW EVENT Briefing</p> <p>2:30-3:00 Briefing for NEC Meeting</p> <p>4:00-4:45 Briefing for Town Hall Meeting (Thursday)</p> <p>5:00-6:00 NEC Meeting @ WH</p>	<p>19</p> <p>8:45-9:15 STW Event w/ Reich <b>REMARKS</b></p> <p>9:30-10:00 DNS</p> <p>10:00-10:30 Briefing for Radio Calls</p> <p>10:30-11:00 Radio Calls</p> <p>11:00-11:30 Briefing for "Improving America's Schools" Taping</p> <p>12:00-12:30 Town Hall Meeting Live TV <b>REMARKS</b> re STW @ Chamber</p> <p>2:30-3:15 Tape "Improving America's Schools" Conference per Kohlmoos</p> <p><b>REMARKS</b></p> <p>3:30-4:00 Meeting w/ Regan Burke</p> <p>4:00-4:30 NAGB Meeting</p>	<p>20</p> <p>10:00-11:00 Meet w/Gov. Paul Patton (KY) re ed reform</p> <p>2:00-3:00 Budget Briefing</p> <p>6:00-9:00pm NAESP National Distinguished Principals Program</p> <p><b>SPEECH</b></p>	<p>21</p> <p>2:00-2:30 Urban League Event @ National Armory</p> <p><b>SPEECH</b></p> <p><b>PM</b> DNC Gala</p>

John Funderburk	MC Gumbleton	Jay Blanchard	Kitty Signs	Ed Prewitt	Ed Prewitt	Shawn Polk
	<p>23 (Yom Kippur) 10:00- 10:30 Meet w/Jim Hayes, Jr Achievement 2:00-3:30 HBCU Presidents Board meeting <b>REMARKS</b></p>	<p>24 7:30-8:30 HBCU Event @ Holocaust 9:00-10:30p McGraw-Hill Dinner <b>SPEECH</b></p>	<p>25 11:00-11:30 Hold for OLCA 2:00-3:00 Briefing for Hispanic Initiative Event 3:00-3:30 Meeting w/ Cha Guzman  7:00-9:00 Hispanic Caucus Gala</p>	<p>26 10:00-11:45 Hispanic Initiative Event @ WH <b>REMARKS</b> 12:00-1:00 Adult Literacy Awards Luncheon <b>REMARKS</b> 1:30-2:15 NETDAY Kick-off <b>REMARKS</b> 3:00-3:30 Lockport Conf. Briefing 3:30-4:00 ALA Event Briefing 4:00-5:00 WH Briefing for Vietnamese Americans per: Doris Matsui <b>REMARKS</b>  6:30-7:00 Hispanic Designers Gala  PM DSCC Gala  (9:00-10:00 Presidential Debate)</p>	<p>27 <b>BALTIMORE</b> 11:00-11:30 Taping for Latter-Day Saints <b>REMARKS</b> per: M. Doyle 1:00-1:45 Live Video Conference w/ Lockport, NY <b>REMARKS</b>  PM American Library Event Per TPeterson <b>REMARKS</b></p>	

Ed Prewitt	MC Gumbleton					
<p>29</p> <p>NOTE: Congressional Leadership Debate in Williamsburg, VA 9:00-10:00pm</p>	<p>30</p> <p><b>NEW YORK CITY</b> 12:00-1:00 Fly to NYC 2:00-4:00 Bank St. College Kappner Inauguration <b>SPEECH</b> Advance: Kitty Signs</p> <p>5:30-6:30 Fly to WDC</p>					

Record Type: Record

To: Cabinet Affairs

cc:

Subject: Weekly Report

January 2, 1997

**MEMORANDUM FOR LEON PANETTA, THE WHITE HOUSE**

**FROM:** Robert E. Rubin

**SUBJECT:** Weekly Report for the week of January 13, 1997

**HOT ISSUES**

**Advisory Commission on Social Security  
District of Columbia**

**KEY NEWS**

**Social Security Commission:** On January 6, the Advisory Commission on Social Security released its report. The Commission is split into three groups which provided three separate recommendations. While no legislation is expected this year, the Commissions report added to the growing debate on reform of the social security system.

**Turkey:** On January 14, Secretary Rubin and Deputy Secretary Summers will meet with State Minister Adak of Turkeys governing Islamist Refah Party to discuss Turkeys economic prospects and policies. Mr. Adak is Prime Ministers Erbakans key economic advisor. Turkey continues to suffer from economic mismanagement -- key advisors in the Refah Party have only a limited grasp of market economics and harbor mistrust toward the kind of economic reforms that can put Turkey on a sustainable growth path. Treasury has initiated contact with Refah effort to educate Erbakans economic advisors on major elements of fiscal reform and convince them that the United States has a genuine interest in seeing Turkey establish a solid record of sustainable economic growth.

**Bosnia:** On January 12, Assistant Secretary for International Affairs David Lipton, along with representatives of the Department of State, will represent the U.S. at the Economic Policy Forum in Sarajevo on January 12. The purpose of the Forum, which is being hosted by the Office of the High Representative (OHR), is to map out an economic strategy for Bosnia and Herzegovina for the months ahead. Bosnian State and Entity ministers will be in attendance, as will representatives of the World Bank,

IMF, the European Union, and OHR.

**Financial Modernization:** Treasury continues to undertake a wide-range of activities aimed at refining its financial modernization proposal, including: 1) reviewing proposed legislative language; 2) meeting with industry representatives, OMB and Federal Deposit Insurance Corporation Chairman Helfer; and 3) developing a preliminary time line for rolling out the proposal. On January 7, Treasury officials met with Reps. LaFalce and McCollum who indicated a willingness to work with Treasury officials.

**Privatization:** During the last several weeks, Treasury staff has worked closely with OMB staff on several potential privatization proposals to be included in the Presidents budget proposals. Treasury will continue to work with OMB to develop Administration privatization policy and oversee the privatization projects in which it is currently involved including the following.

Connie Lee: On January 6, Treasury entered into a contract with Salomon Brothers to conduct a binding appraisal of the common stock of Connie Lee held by the Department of Education. Treasury will provide oversight of the appraisal process, as well as negotiate with Connie Lee for the closing documents for the sale of the stock. Treasury officials expect to receive the appraisal by January 31, and complete the sale by February 27. Proceeds will be available for school construction in the District of Columbia.

Sallie Mae: Treasury received its first \$400,000 semiannual payment from Sallie Mae to reimburse Treasury for its Congressionally-mandated Sallie Mae oversight activities which include monitoring the financial safety and soundness of Sallie Mae, and complying with statutory provisions providing for either reorganization or wind-down of Sallie Mae's Government-sponsored enterprise operations.

**New Armenian Prime Minister:** On January 10, Secretary Rubin and Deputy Secretary Summers will meet with new Armenian Prime Minister Armen Sarkissian to discuss current Armenian economic challenges, reform program for 1997, progress under a three-year IMF program, negotiations towards a bilateral tax treaty, and technical assistance (particularly our tax technical assistance).

**Historically Black Colleges and Universities (HBCU):** The closing of the Bethune-Cookman College loan has been delayed over certain legal issues. Treasury does not expect a closing on the \$12.53 loan to occur until early to mid-February. The loan proceeds will be used to renovate classrooms, and build a new student center and dormitory.

**United States Postal Service (USPS):** On January 7, Treasury's Federal Financing

Board (FFB) staff met with USPS staff to discuss their requests for modifications of existing borrowing procedures. USPS staff indicated that they are pleased with the new short-term borrowing facilities provided by the FFB which have allowed USPS to lower their average cash balance from \$2 billion to \$500 million, and requested that these facilities, scheduled to expire on January 15, be extended.

**International Currency Audits Continue:** On January 13, a Treasury audit team, including Secret Service agents, will begin the first 1997 International Currency Audit with visits to cities in Thailand, Cambodia, Indonesia and Singapore where they will meet with officials from the government, banks, and law enforcement. The trip is designed to assess the amount of counterfeit U.S. currency in circulation, while also enhancing anti-counterfeiting efforts by foreign countries. There will be a second audit team departing for Brazil, Paraguay, and possibly Peru on January 26th.

**Recent Regulatory Activity:**

Columbian Narcotics Traffickers: The Office of Foreign Assets Control has published a final regulation that will block the property of 57 drug traffickers (some of whom are U.S. citizens) and 21 businesses connected with the Cali Cartel. The regulation, which implements an Executive Order, is likely to result in litigation brought by U.S. citizens whose property is blocked.

Card Clubs: The Financial Crimes Enforcement Network has published a proposed regulation that would extend the Bank Secrecy Act (BSA) reporting and recordkeeping requirements to gaming institutions popularly known as card clubs. Card clubs are similar to casinos except the players bet against each other instead of the house. They are particularly popular in California, where customers wagered over \$8 billion in 1994. Like casinos, they offer financial services such as customer deposit or credit accounts, transmission and receipt of funds, and check cashing and currency exchange. For this reason, card clubs are just as vulnerable to money laundering as traditional casinos, which have been covered by the BSA since 1985.

Private Activity Bonds: The Internal Revenue Service (IRS) has published a final regulation regarding tax-exempt private activity bonds. Under current law, the interest on bonds issued by state and local governments is tax-exempt provided that no more than a de minimis amount of the bond proceeds are used for private business. This final regulation sets forth the terms of the private use test, which is used to disqualify a bonds tax-exempt status, and clarifies the tests application to public/private partnerships and to privatized governmental functions.

Tax-exempt Entities: The IRS has published a proposed regulation that would require that a taxable corporation recognize a gain or loss when it transfers all of its assets to one or more tax-exempt entities, or converts itself to a tax exempt entity. In such a

transaction, the taxable corporation is treated as though it had sold its assets at their fair market value. The proposal is intended to prevent the abuse of tax-exempt status. It may affect tax-exempt groups such as charities, state and local governments, or even Indian tribes when they acquire the assets of a taxable corporation, though it will not prevent corporations from making tax-deductible gifts to charities. The proposal may attract some press attention in connection with the potential merger of the Long Island Lighting Corporation and the Long Island Power Authority.

### **WORK ON PRESIDENTIAL INITIATIVES**

**District of Columbia:** On December 31, Treasury provided the District of Columbia with a \$175 million advance pursuant to the Mayors December 20 requisition. Treasury officials expect the District to request several smaller advances during each of the next three months. Treasury continues to work closely with OMB staff to develop the elements of an Administration DC initiative. During the weeks of January 6 and January 13, Treasury will continue to work with OMB to develop the financial and economic development portions of the DC initiative and will begin development of legislative specifications to implement the economic development proposals.

**Washington Aqueduct:** Treasury officials have been working with the Army Corps of Engineers to develop loan terms and conditions for the Treasury loan to the Corps for capital improvements to the Washington Aqueduct. Further discussions will occur during the week of January 13.

**Inflation-Indexed Securities:** On December 30, Treasury released the final terms and conditions for inflation-indexed securities which clarified the circumstances under which a change in the Consumer Price Index (CPI) would cause Treasury to choose a substitute index. Reactions from market participants to these clarifications have been positive. On January 21, Treasury will release the official offering announcement, including the amount of notes to be auctioned, and on January 29 the first auction of inflation-indexed notes will occur. Treasury continues preparations for the auctions which include marketing presentations to investor conferences and finalizing the appropriate accounting and debt limit treatment for the new securities.

**North American Development Bank (NADBank):** During the week of January 6, the guidelines of the NADBank Domestic Window were distributed. These guidelines provide information on how communities may apply for program funds.

**Community Reinvestment Act (CRA):** On December 19, the Federal Reserve Board approved the first strategic plan designed by a bank for complying with the Community Reinvestment Act. (Strategic plans, which are voluntary, were included by the federal banking regulators in the 1995 revision to the CRA regulations.) The four-year plan, submitted by a Chicago-based bank, includes specific goals for

making mortgage, small business and community development loans. If the bank meets 90% of its goals, it will receive a satisfactory rating. On December 23, the FDIC approved a strategic plan for a bank in Texas. The bank regulators' actions are likely to encourage other banks to develop strategic plans for meeting their CRA lending and investment commitments. The Federal Reserve Bank of Kansas reported in December that in a recent survey of small Midwestern banks examined under the new Community Reinvestment Act regulations, nearly 90% indicated the exams were less burdensome. However, about 40% indicated they had incurred additional costs in complying with the regulations.

### CONGRESSIONAL ACTIVITY

#### **Hearings of the National Commission on Restructuring the Internal Revenue**

**Service:** On January 8, Acting Assistant Secretary Lubick appeared before the Commission to discuss tax policy concerns related to the use of the IRS for "non-tax functions," described by the Commission's staff as including activities related to the Earned Income Tax Credit, employee plans and exempt organizations, federal-state information sharing, tax refund offsets, Low Income Housing Credit, and organ donation inserts.

**Highway Trust Fund:** Following roll out of the Administration's decision to correct the error in the Highway Trust Fund allocation among the states and to seek a supplemental appropriation for those states that will be adversely affected by this correction, there has been relatively little inquiry from Members of Congress of this issue. Nevertheless, Treasury, Transportation and OMB staff will need to make a serious effort to garner support for passage of the supplemental appropriation. While Treasury staff are unaware of planned Congressional hearings on this issue, it is possible that the Administration will be called to testify before one of the Transportation committees as part of the Intermodal Surface Transportation Efficiency Act reauthorization process.

**Meeting with Rep. Barney Frank:** On January 2, Under Secretary Shafer and Assistant Secretary Lipton met with Rep. Frank who pledged his support for our multilateral lending programs agenda and offered a number of strategic suggestions to help us build support for the agenda. Treasury staff will be following up with his staff and other relevant Members staff whom he suggested.

**Line Item Veto Guidelines Finalized:** On January 6, the Joint Committee on Taxation staff released final guidelines on the principles and procedures to be applied in making a determination whether any provisions in a bill constitute "limited tax benefits" that are subject to the President's line item veto authority.

**Treasury Amendment:** On December 31, the Commodities and Futures Trading

Commission (CFTC) delivered its legislative proposal to resolve the disputes over the Treasury Amendment regarding clarification of jurisdiction over transactions involving foreign currency and government security futures. Treasury is preparing a letter to Congress with Treasury's proposal as well as comments on the CFTC proposal. Treasury staff is working with Senate staff, the New York Fed's Forex Committee and representatives of futures and exchange associations.

**Airport and Airway Trust Fund Excise Taxes Hearing Planned:** On February 4, the Senate Finance Committee is contemplating holding a hearing regarding the airport and airway trust fund excise taxes (the 10% passenger ticket tax, the 6.25% cargo waybill tax, and the \$6-per-person international departure tax), which expired on December 31.

**State and Local Taxation of Internet Access and Services:** On January 7, Senator Wyden and Rep. Cox announced that they plan to introduce legislation next month that would prevent state and local taxation of Internet access and services until a comprehensive national approach is developed.

#### **PRESS ACTIVITY**

**Economic Policy:** On December 19, Secretary Rubin met with members of *The Los Angeles Times* Washington Bureau to discuss the Administration's economic agenda, the Boskin Commission CPI report, and urban issues. On December 20, Secretary Rubin met with Ken Walsh of *U.S. News and World Report* to discuss second term economic agenda, the President's budget and an upcoming profile of the Secretary in the magazine. On January 6, Assistant Secretary Gotbaum met with Alan Sloan and Rich Thomas of *Newsweek* to discuss the Social Security Trust Fund and how it relates to the deficit, budget and national debt.

**Tax Policy:** On January 2, IRS issued a press release announcing that 1996 tax forms are in the mail and also enclosed were fact sheets on improvements in filing procedures for taxpayers. Also on January 2, Commissioner Richardson spoke to the press on the new tax season. Treasury officials have begun to lay out in very broad language the Administration's tax policy goals in the budget and have contacted *The Wall Street Journal*, *Reuters* and *The Los Angeles Times* regarding these goals. Deputy Secretary Summers met with Zanny Minton-Beddoes of *The Economist* to discuss tax issues.

**International:** On December 17, Under Secretary Shafer spoke on background with Robert Choate of *The Financial Times* on the International Development Association and its funding needs. On December 17, Assistant Secretary David Lipton spoke with *The Financial Times*, *Reuters*, *Dow Jones*, *BBC Ukraine*, *Ukraine Weekly* and *Ukraine Daily* on IMF financial support for Ukraine. Last week, Deputy Secretary Summers

met with David Sanger of *The New York Times* to discuss tied aid. On January 6, Assistant Secretary David Lipton met with Matt Kaminsky of *The Financial Times* to discuss U.S. and other international financial assistance to Ukraine. On January 7, Deputy Secretary Summers met with Ron Insana of CNBC. On January 8, he did an on-camera interview with *The Hidaka Report* (a public affairs program in Japan) on the US and world economy. On January 9, Deputy Secretary Summers spoke at the Brookings Institution on the importance of global economic leadership by the United States. Also on January 9, Deputy Secretary Summers spoke on Russia's economic situation at Harvard's JFK School. On January 13, Secretary Rubin will address the International Development Conference at the J.W. Marriott here in Washington.

**Domestic Finance:** On January 3, Under Secretary Jerry Hawke did an interview with *The American Banker* on changes in the environment surrounding financial modernization that make it more likely for legislation on this topic to be passed in the 105th Congress. On January 8, Deputy Secretary Summers spoke with Lee Rivenbark of *The Federal Times* on the FMS program to withhold federal payments to people who have outstanding federal debts.

**Enforcement:** On January 3, *The Boston Globes* lead editorial focused on Bostons falling murder rate and complimented the President on extending the Youth Crime Gun Initiative to 17 other cities. The editorial stressed the success of the cooperation of local and state law enforcement with the Bureau of Alcohol, Tobacco and Firearms in drastically reducing youth violence and murder. On January 7, Under Secretary Ray Kelly met with *The Washington Posts* editorial board to discuss a range of enforcement issues. Likely stories coming over the next few days to include reduction of federal firearms licensees, the prohibition against police and others with domestic violence misdemeanor convictions from carrying guns, and plastic explosives. On January 6, *The New York Times* ran a story on the Bureau of Alcohol, Tobacco and Firearms gun-tracing work, focusing on arrests in several states which resulted from the shooting in New York City of a policeman. The December 30 issuance of a specific Office of Foreign Assets Control (OFAC) license to Cargill, Inc. for the purpose of transacting a grain-for-minerals deal with North Korea has received significant coverage in major papers (*The Wall Street Journal*, *The Washington Post*, *The New York Times*, *LA Times* et al), secondary market and foreign papers and specialty publications (*Journal of Commerce*), and mention in some major business magazines (*Business Week*). Treasury officials confirmed approval of the license and provided background information regarding the license application process in general and the North Korea embargo, and Cargill has independently offered some detail of its North Korea deal to the press.

### **SECRETARYS SCHEDULE**

#### **The Week in Review:**

**Monday, January 6**

Met with Rep. Spratt regarding budget and tax issues

**Tuesday, January 7**

Met with Secretary Cisneros regarding the Low Income Housing Credit

Attended the Presidents meeting with Senator Moynihan regarding CPI

Met with Rep. Archer regarding budget and tax issues

Met with Rep. Rangel regarding budget and tax issues

**Wednesday, January 8**

Met with the House Blue Dog Coalition

Attended the Presidents meeting with Chairman Greenspan

Met with Treasury's CFOs and Deputy CFOs

Delivered remarks at a reception honoring Labor Secretary Reich

**Thursday, January 9**

Met with Chairman Greenspan

Met with Senator Nighthorse Campbell regarding Treasury Appropriations

Met with Rep. Frank

Delivered remarks at a dinner in NYC honoring David Hamburg of the Carnegie Corp.

**Friday, January 10**

Met with Armenian Prime Minister Sarkissian

**Saturday, January 11**

Attended the Cabinet Retreat

**The Week Ahead:****Monday, January 13**

Deliver remarks at the International Development Conference

Meet with Rep. Hoyer regarding Treasury Appropriations

Meet with Katie McGinty regarding climate change

**Tuesday, January 14**

Meet with the Turkish State Minister, Fehim Adak

**Wednesday, January 15**

No external meetings

**Thursday, January 16**

Meet with Chairman Greenspan

**Friday, January 17**

Address the US Conference of Mayors

Record Type: Record

To: Cabinet Affairs

cc:  
Subject:

January 16, 1997

**MEMORANDUM FOR LEON PANETTA, THE WHITE HOUSE**

**FROM:** Robert E. Rubin

**SUBJECT:** Weekly Report for the week of January 20, 1997

**HOT ISSUES**

**Mexico Loan Repayment  
District of Columbia  
Balanced Budget Amendment**

**KEY NEWS**

**Mexico:** On January 15, the Mexican stock market greeted the announcement of Mexico's prepayment of its emergency loans from the U.S. with a rally that propelled the market up 2.7%, to a new record high. With that gain, Mexican stocks have gained 11% in the first half of January. Other markets also welcomed the news, with a small rally in the Brady bond market and a fall in domestic Mexican interest rates. The peso stayed firm at p7.8 per dollar.

**District of Columbia:** On January 8, the Administration announced the Presidents National Capital Revitalization and Self Government Improvement Plan. Treasury officials are working closely with OMB staff to develop the elements of the initiative and develop appropriate legislation.

**Balanced Budget Amendment:** On January 17, Secretary Rubin will be the lead-off witness before the Senate Judiciary Committee hearing on the balanced budget amendment. Other witnesses testifying will include former OMB Director Jim Miller; Martin Regalia, U.S. Chamber of Commerce economist; Gary Bauer, President of the Family Research Council; James Davidson, National Taxpayers Union; and Robert Greenstein, Center on Budget and Policy Priorities.

**Turkey:** On January 14, Secretary Rubin and Deputy Secretary Summers met with Turkish State Minister Adak, a senior advisor to Prime Minister Erbakan who has

considerable influence on the direction of Turkey's economic policy. At the meetings

Minister Adak presented the government's plans for addressing Turkey's major economic challenges -- a large deficit, high real interest rates and rising inflation. The plan, which centers around an ambitious privatization program, appears to do little to address the fundamental structural weaknesses in the economy -- chiefly a financially draining social security system and inadequate tax base. As a result, the one-time revenue measures outlined by Minister Adak are likely, at best, to provide only temporary relief to the government's fiscal burden. In response to the presentation by Minister Adak, Deputy Secretary Summers suggested that Turkey should work to develop a sustainable program that is credible to the international financial institutions, rating agencies and major investors. In addition, Secretary Rubin offered to send Deputy Secretary Summers to Turkey to pursue discussions on Turkey's economic management with Prime Minister Erbakan and other senior officials.

**Bosnia:** On January 12, Assistant Secretary (International Affairs) Lipton participated in an Economic Policy Forum in Sarajevo hosted by U.N. High Representative Bildt.

The meeting was extraordinary in that it was attended by the entire Council of Ministers and other high-ranking officials from all three ethnic groups. Also, the meeting marked the first time that a constructive dialogue had taken place on economic policies. However, significant differences in views on various issues emerged. Moreover, officials from the Republic of Sprska seem to be ill-prepared for the serious policy challenges that lie ahead. At the forum, the U.S. and European Union participants stressed the importance of a joint agreement on macroeconomic policy and reaching an IMF deal, and asserted these steps will be required if the March Donor Conference is to go forward as scheduled.

**Financial Modernization:** Treasury staff continues to develop our approach to financial modernization issues. Treasury officials met recently with various parties to discuss the overall proposal, including the American Bankers Association, Office of Thrift Supervision's Executive Committee, America's Community Bankers, and the National Association of Home Builders. During the week of January 6, Under Secretary Hawke met with House Banking Committee Members Vento, LaFalce, Campbell and Chairman Leach. On January 8, Chairman Leach and Rep. Roukema introduced separate financial modernization bills. Chairman Leach's bill would permit bank subsidiaries to engage in a broad range of financial activities. Treasury is analyzing both bills.

**Privatization:** During the week of January 20, Treasury staff will meet with OMB staff to outline their roles and responsibilities for a proposed Executive Order on privatization. Treasury continues to oversee ongoing privatization matters including Connie Lee, Sallie Mae and the National Petroleum Reserve:

Connie Lee: Treasury officials are providing oversight of the appraisal process of Connie Lee stock held by Department of Education, and will be negotiating with Connie Lee on the closing documents for the sale of the stock. On January 12, Salomon Brothers met with Connie Lee and initiated its due diligence stage of the appraisal of the Connie Lee common stock. By January 31, Treasury officials expect to receive the final binding appraisal. By February 27, Treasury officials expect to complete the sale. Proceeds from the sale will go to school construction in the District of Columbia.

Office of Sallie Mae Oversight: On January 8, Treasury officials met with Sallie Mae officials to discuss their progress with privatization. The Sallie Mae Board has responded positively to their management's privatization initiative outline, and a reorganization plan is being prepared for a Sallie Mae shareholder vote which is most likely to occur on May 15. If shareholders vote "yes," as expected, a completely private state-chartered holding company will be created. If shareholders vote "no," Sallie Mae must dissolved.

Naval Petroleum Reserves (NPR): Treasury staff has been working with the Department of Energy (DOE) and OMB to implement the privatization of the NPR. During the week of January 20, OMB and Treasury will meet with senior DOE officials for a briefing on the transaction.

**Office of Human Resources:** Secretary Rubin recently commissioned an extensive review of Treasury's Departmental office personnel system. The review examined ways in which the personnel system can more strategically and effectively support the needs of the Department. Treasury has begun the process of implementing suggested reforms to strengthen the human resources systems. The newly established Office of the Deputy Assistant Secretary for Human Resources will have responsibility for developing and implementing strategies for identifying, attracting, rewarding, and retaining high performing employees.

**Buy-out Plans:** Treasury continues to seek approval to offer buy-outs in select bureaus and offices which need to restructure or reduce functions or positions. Buy-out plans are being examined closely to ensure they conform with statutory requirements. IRS and the Bureau of Engraving and Printing (BEP) have received final approval and have already offered buy-outs to employees. IRS officials estimate that as many as 1,300 employees may accept. On January 3, BEP completed their buy-out program. A total of 254 employees resigned or retired with buy-outs. Buy-out plans for four other Treasury offices and bureaus are still being considered.

**Internal Revenue Service (IRS) Reduction in Force (RIF):** On December 17, 1996,

IRS sent a formal request to the Federal Service Impasses Panel (FSIP), requesting that it take jurisdiction over the RIF negotiation's dispute. On December 31, the Panels Executive Director met with IRS and National Treasury Employees Union (NTEU) representatives to discuss the matter. At the meeting, NTEU opposed FSIP taking jurisdiction of the case and stated that more time should be spent at the Federal Mediation and Conciliation Service. Per FSIP, IRS filed a written submission on January 10 that responded to the NTEU's position and explained IRS position that certain proposals are non-negotiable. NTEU will respond to the IRS submission. FSIP members will review the IRS formal request and the written submissions of both parties and decide whether to take jurisdiction of the RIF negotiation impasse.

**New Currency:** Treasury is moving forward on its the public education campaign plan for the new \$50 note. Due to the more limited circulation of the \$50 note, the campaign will be a scaled-down version of the \$100 campaign. On January 9, Treasury officials from BEP and the Secret Service met with Federal Reserve System officials to discuss redesigning the smaller denomination notes as part of the overall currency redesign effort. Further discussion will take place at the next meeting of the Advanced Counterfeit Deterrence Steering Committee, which is tentatively scheduled for early February.

**Organ Donor Cards for Insertion with Tax Refund Checks:** In accordance to legislation passed during the last congressional session, Treasury is preparing to sendout 70 million organ donor cards with income tax refund checks. Treasury staff is working with Department of Health and Human Services officials, the Members of Congress who sponsored the legislation, and the Coalition on Donation to fulfill the Congressional mandate.

**OECD Meeting:** On January 19 through 22, Assistant Secretary (Tax Policy) Lubick will attend meetings of the OECD Committee on Fiscal Affairs in Paris. Among the topics to be discussed are the tax treatment of bribes paid to foreign officials, tax policy implications of the communications revolution, tax competition, Russian observership/membership in the OECD, and the status of tax issues in the Multilateral Agreement on Investment.

### **Recent Regulatory Activity:**

Foreign Bank Drafts: The Financial Crimes Enforcement Network has published a proposed regulation expanding the definition of monetary instrument to include foreign bank drafts for the purposes of the reporting requirements for the transportation of currency or monetary instruments into or out of the U.S. The Bank

Secrecy Act requires that amounts in excess of \$10,000 be reported to Treasury when transported into or out of the U.S. Under the current regulation, this reporting requirement only applies to cash or bearer instruments. The proposal will extend the reporting requirement to foreign bank drafts (official bank checks, cashiers checks, and drafts issued by a foreign bank on the foreign banks account at a financial institution in the U.S.). The underlying legislation was prompted by the sale, in Mexico, of bank drafts drawn on dollar accounts in the U.S.

Tenant Rental Assistance: Working with Housing and Urban Development staff, the IRS has published a proposed regulation regarding the effect of certain tenant rental assistance payments on the low income housing tax credit. The tax code allows building owners to claim a tax credit for housing low income individuals. However, federal grants made to the building generally reduce the basis on which this tax credit is calculated. This proposed regulation will clarify that certain tenant rental assistance payments, which are used to reimburse the difference between a buildings operating costs and the rent collected, will not reduce the basis on which the Low Income Housing Tax Credit is calculated.

Amortization of Intangible Assets: The IRS has published a proposed regulation which will provide for a uniform 15-year amortization of certain acquired intangible assets, including goodwill and going concern value. Other intangibles not acquired in connection with a trade or business -- including computer software, patents, and copyrights -- will be subject to shorter amortization schedules. Under prior law, assets such as goodwill and going concern value could not be amortized either because their useful life was not considered to be limited or because it could not be estimated with accuracy. The proposed regulation implements a provision of the OBRA 93.

### **WORK ON PRESIDENTIAL INITIATIVES**

**Inflation-Indexed Securities:** In preparation for the first auction of inflation-indexed securities on January 29, Treasury officials are considering the size of the auction, working on the roll out plan, briefing Hill staff, and continuing marketing presentations. Ways & Means Chairman Archer has announced his intention to hold hearings this spring on indexed securities. Also, Treasury officials have been discussing the securities with the Chicago Board of Trade (CBOT) which is considering approval for such contracts. The Commodities Futures and Trading Commission approval is expected to take a month or two after CBOT approval, which would mean that derivative contracts could be being traded in time for the second auction of inflation-indexed securities in April.

**Hammer Award:** On January 24, Treasury will receive the Hammer Award from the Vice Presidents Office and the National Performance Review for its revision of the

State and Local Government Series (SLGS) securities regulations. The revision makes SLGS more affordable to market participants and easier for them to use. Since the regulations were revised, use of SLGS by state and local government entities has doubled on a monthly basis.

**Under Secretary Kelly and Commission on Aviation Safety and Security to hold Public Hearing:** On January 16, a public hearing on issues affecting aviation safety and updating the air traffic control system was held. On January 17, Under Secretary Kelly and other Commissioners will meet to discuss various topics relating to the issuance of the Commission's final report, due in early February.

**Church Fires Report:** During the week of January 13, the National Church Arson Task Force anticipates releasing its report to the President. From January 1, 1995 to January 7, 1997, there have been 328 investigations of nationwide church arson and bombing or attempted bombing. A total of 143 suspects have been arrested by state and federal authorities in connection with 107 fires at churches and other houses of worship. Assistant Secretary Johnson gave an interview on the joint investigative effort to radio station KPRC/AM, Houston, TX.

**G-7 Initiative on Customs Procedures:** During the week of January 13, Treasury officials met with Canadian Customs officials to discuss the G-7 initiative to standardize and simplify customs procedures and documentation. The Canadians are reportedly enthusiastic about the U.S. proposal for 1) uniform data requirements for importing goods, 2) uniform computer formats for paperless reporting of that data, 3) uniform customs procedures and 4) a prototype system for electronic processing. The ultimate goal of this process is to develop uniform paperless processing in all G-7 countries, and thereby setting the standard for the rest of the world.

**Frozen Assets:** On January 15, the White House Press Office announced that Treasury's Office of Foreign Asset Control designation of 78 additional persons, 21 businesses and 57 individuals, as "Specially Designated Narcotics Traffickers" or "SDNTs." These designations constitute another step in the ongoing interagency effort to carry out President Clinton's Executive Order (EO) 12978 of October 21, 1995, "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers." EO 12978 applied economic sanctions against the drug cartels based in Colombia. The 78 new names bring the total number of identified SDNTs to 359, which includes 115 companies and 244 individuals.

### **CONGRESSIONAL ACTIVITY**

**FY 1998 Budget:** The House Ways and Means Committee has notified us of its plan to hold hearings on Treasury's budget. On February 11, Secretary Rubin is scheduled

to appear before the committee. On February 12, Assistant Secretary Lubick will testify. Treasury staff continues to work on drafting the tax title of the President's FY 1998 budget proposal.

**Senate Democratic Agenda:** Senator Daschle's office has informed Treasury that the Democratic leadership is preparing a "investment/economic growth" bill to be introduced as one of their first 10 initiatives of this Congress. The details are still being developed, but it is anticipated that the bill will include incremental capital gains relief (e.g., small-business rollover, enhancements of the Administration's 1993 section 1202 provisions, and a proposal to allow gains from farm sales to be rolled over tax-free into a qualified pension), new IRA relief (perhaps increase deductible limits), ESOP provisions, and extension of Code section 127 tax-free educational assistance. The package may also include estate tax provisions.

**Natural Disasters:** Recently, Banking Committee Chairman Leach wrote Secretary Rubin to express his interest in holding hearings on a Federal program for natural disaster insurance. On January 7, Reps. McHugh and Fazio introduced separate bill proposing a federal response to the shortage of catastrophic insurance in high-risk communities. Reps. McHugh's bill would create a program that provides reinsurance to state reinsurance pools. In addition, Senator Graham has requested a meeting with Deputy Secretary Summers to discuss this issue.

**Crane Paper:** On January 21, Treasury officials will meet with Senator Kerry to hear his concerns about the proposed open bidding for the paper that is used by the BEP to print currency. For over 100 years, the Crane Company of Dalton, MA exclusively has provided the paper to BEP. Many Members of the Massachusetts delegation have written Secretary Rubin about this issue.

### PRESS ACTIVITY

**Economic Policy:** On January 8, Secretary Rubin was interviewed by Clay Chandler of *The Washington Post* on Medicare premiums for an article on the budget. On January 16, Secretary Rubin participated in a Sperling breakfast and was interviewed by David Sanger of *The New York Times*. On January 16, Deputy Secretary Summers also was interviewed by Clay Chandler of *The Washington Post*. On January 17, Secretary Rubin will address the U.S. Conference of Mayors Plenary Session. Also on January 17, Deputy Secretary Summers will be interviewed by Tom Friedman of *The New York Times*.

**Tax Policy:** On January 8, Treasury released the exchange of letters between the

Secretary and IRS Commissioner Peggy Richardson regarding her resignation. On January 8, Acting Assistant Secretary Don Lubick testified before the National Commission on Restructuring the IRS on "non-tax functions" performed by the IRS. Treasury continues to offer information regarding the filing season. *USA Today* recently ran several favorable prominent stories publicizing tips to taxpayers and the innovations in this filing season. Additionally, the Commissioner recorded a video news release on filing by phone.

**Urban Affairs:** Secretary Rubin participated in a press conference at the White House briefing room with OMB Director Frank Raines on the President's initiatives for the District of Columbia. Subsequently, Treasury answered questions from the press regarding the proposed role of the IRS in taking over some tax collection functions for the District. Treasury will continue to work closely with the White House press office and OMB on this story.

**International:** On January 10, Deputy Secretary Summers spoke Paul Blustein of *The Washington Post* about the Japanese market movements. On January 13, Secretary Rubin addressed the annual meeting of the International Development Conference on the United States role in promoting growth and reform in the global economy. On January 14, Deputy Secretary Summers spoke with Dean Foust of *BusinessWeek* on the Japanese market movements and the National Economic Council. On January 15, Secretary Rubin, Deputy Secretary Summers and Under Secretary Shafer briefed various reporters on Mexico's loan repayment, including *The New York Times*, *The Washington Post*, *The L.A. Times*, and *the A.P.* Also, Under Secretary Shafer was interviewed by *Fox National News* on Mexico.

**Domestic Finance:** On January 13, Deputy Secretary Summers spoke by phone with Robert Dodge of *The Dallas Morning News* regarding inflation-indexed securities.

**Enforcement:** On January 9, Assistant Secretary (Enforcement) Johnson was interviewed by Houston's KPRC-AM Radio on church fires. An interim report of the National Church Arson Task Force, co-chaired by Assistant Secretary Johnson and Assistant Attorney General Patrick will be the subject of the President's weekly radio address January 18. *The Washington Post* is developing a story on the reduction in federal firearms licensees over the past three years.

## **SECRETARYS SCHEDULE**

### **The Week in Review:**

**Monday, January 13**

Addressed the International Development Conference

Met with Rep. Hoyer regarding Treasury Appropriations  
Met with Senator Domenici regarding budget issues  
Met with Katie McGinty regarding climate change

**Tuesday, January 14**

Met with Secretary Cisneros and Director Raines regarding the Mark-to-Market issue  
Held a joint press conference with Director Raines regarding the Administrations DC proposals  
Meet with the Turkish State Minister Adak

**Wednesday, January 15**

Participated in a Presidential event regarding Mexicos loan repayment in full

**Thursday, January 16**

Attended the Godfrey Sperling Breakfast  
Met with Senator Paul Sarbanes regarding banking issues  
Interviewed by David Sanger of the *New York Times*

**Friday, January 17**

Testified before the Senate Judiciary Committee regarding the Balanced Budget Amendment  
Addressed the U.S. Conference of Mayors  
Met with Chairman Greenspan  
Attended farewell receptions for Secretaries Cisneros and Kantor

**The Week Ahead:**

**Monday, January 20**

Participate in Inaugural Activities

**Tuesday, January 21**

Meet with Rep. Matsui regarding the Congressional tax agenda  
Meet with Senator Kohl regarding Treasury Appropriations  
Meet with Senator Lautenberg regarding budget issues

**Wednesday, January 22**

Breakfast with Chairman Greenspan  
Address Treasurys CFC Awards Ceremony/Celebration

**Thursday, January 23**

Host a monthly CEO luncheon

**Friday, January 24**

Meet with Treasurys Career Senior Advisory Panel  
Give remarks at Treasurys Hammer Awards program

Record Type: Record

To: Cabinet Affairs

cc:

Subject: weekly report

## **MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE**

**FROM:** Robert E. Rubin

**SUBJECT:** Weekly Report for the week of January 27, 1997

### **HOT ISSUES**

#### **Inflation Protection Securities Auction**

##### **KEY NEWS**

**Inflation-Indexed Securities:** On January 21, Secretary Rubin announced that Treasury would sell \$7 billion of inflation-indexed notes on January 29. Over the next week, Treasury officials will brief House Ways & Means and Senate Finance staff on the auction, and marketing presentations for inflation-indexed securities will continue after the first auction of inflation-indexed notes. Also, the Chicago Board of Trade is planning to announce on January 27 that it has approved futures and options contracts on indexed securities.

**Financial Modernization:** On January 16, Secretary Rubin met with Senate Banking Committee Ranking Member Sarbanes to discuss financial modernization legislation and other issues. On January 27, Secretary Rubin, Deputy Secretary Summers, Under Secretary Hawke and Assistant Secretary Carnell will meet with John Hilley to discuss legislative strategies related to our financial modernization proposal. On January 29, Secretary Rubin will meet with Chairman Leach on this issue. Treasury officials continue to refine the proposal, make outreach efforts to the Fed and industry officials, and develop ideas on how the proposal can benefit consumers and small businesses.

**Privatization:** On January 23, Treasury and OMB officials met to outline their roles and responsibilities for a proposed Executive Order regarding federal privatization. Treasury continues to oversee privatization issues for Connie Lee, the National Petroleum Reserves and Sallie Mae:

Connie Lee: On January 24, Treasury officials will meet with Salomon Brothers and

Connie Lee to receive Salomon Brothers draft stock appraisal report. Treasury officials continue to provide oversight of the appraisal process and negotiate with Connie Lee on closing documents pertaining to the sale of Connie Lee stock. Treasury officials expect to receive the final binding appraisal by January 31, and expect to complete the sale by February 27. Pursuant to statute, proceeds will be available for school construction in the District of Columbia.

Naval Petroleum Reserves (NPR): On January 24, Treasury officials will meet with OMB and Department of Energy officials to review the schedule for privatizing the NPR.

Office of Sallie Mae Oversight: Sallie Mae informed Treasury it will file its privatization disclosure statement (S-4) with the SEC in the first half of February, at which time the document will be made available for Treasury review. Treasury's preliminary analysis of Sallie Mae's fourth-quarter results suggest no current threats to its financial safety and soundness. Sallie Mae reported quarterly net income of \$112.3 million. For the year, earnings per share of \$7.23 were up by 38.9 percent from 1995, adjusted for changes in accounting method.

**Abortion Clinic Bombings:** On January 16, two bombs exploded at the Northside Family Planning Clinic in Atlanta. Site examination, forensic activity, and laboratory work is being conducted by ATF, and investigative activity is ongoing jointly by ATF and the FBI. On January 19, two closely-timed explosions occurred at the Tulsa Reproductive Center in Tulsa, Oklahoma. A joint investigation is underway by ATF and the FBI.

**Asian Development Fund (ADF):** On January 17, ADF replenishment negotiations concluded. At the meeting, the U.S. agreed to provide ADF with \$400 million over four years, a 41% cut from the prior replenishment. Other donors, particularly the Japanese, were satisfied with the U.S. contribution. Also, most U.S. policy positions were accommodated, including continued non-access to the fund for China and India, a stronger governance policy, and labor rights language.

**International Development Association (IDA) Interim Trust Fund:** Treasury efforts to remove IDA Interim Trust Fund procurement restrictions on contacts with U.S. businesses continue to focus on resolving the issue at the February IDA Deputies meeting. The Japanese have been helpful in urging the Europeans to be more accommodating. The French have indicated that they are willing to be flexible, but so far we have made little progress with the Germans and British. World Bank staff will circulate a paper prior to the meeting laying out options for changing the procurement restrictions.

**"Financial Report to the Citizens" on Internet:** On January 13, Treasury published -Financial Report to the Citizens on the Internet which outlines the financial condition of the economy and provides basic budget information. This report was a National Performance Review objective which is designed to serve as an annual report to the citizens of the United States. The report can be located through Internet address: [www.fms.treas.gov](http://www.fms.treas.gov). Treasury plans to circulate the report only on the Internet.

**New Data on the Unbanked:** The January 1996 *Federal Reserve Bulletin* published findings from the Fed's recently completed survey of consumer finances and provided new information on the unbanked. The survey indicates that the percentage of the population with bank checking accounts has increased since 1989, rising to 85 percent of families in 1995 from 83.5 percent in 1992, and 81.1 percent in 1989. Nearly 23 percent of those who did not have accounts said the primary reason for not having one was because they disliked banks. Another 20 percent said they lacked enough money to open an account. Treasury officials will continue to analyze the results from the Fed's survey in their preparations of a plan to address the legislative requirement that all federal payments be made electronically by 1999.

**Credit Union Study:** On January 22, Assistant Secretary (Financial Institutions) Carnell, and officials from the Office of the Comptroller of the Currency, Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Federal Reserve Board met with the chief executive officers of four corporate credit unions to discuss Treasury's ongoing credit union study.

**Large Position Reporting Rules:** Under the Government Securities Act, large position rules require any entity that controlled a position equal to or greater than \$2 billion in a Treasury security during the period December 11, 1994 to December 11, 1996 to submit a letter to the Treasury by January 10, 1997. This requirement was enacted to ensure positions do not become excessively high. In accordance with the law, Treasury's Bureau of the Public Debt has now received 46 letters from entities in response to this requirement stating that they have in place, or will have in place, record keeping systems that will ensure compliance by March 31, 1997.

#### **WORK ON PRESIDENTIAL INITIATIVES**

**District of Columbia (DC):** On January 22, the NEC will conduct a policy meeting for the continued development of the Administration's DC initiative. Treasury officials continue to work closely with OMB staff and other White House staff to draft legislation for the initiative. Treasury has been designated by the White House to serve as the lead agency in developing the comprehensive legislation. The key components of the legislation are: 1) the federal assumption of the District's pension plans for police, firefighters, teachers, and judges; 2) developing an intermediate term vehicle for financing the District's accumulated deficit; 3) and establishing an

economic development corporation for the District.

**Church Fires Report:** On January 17, the National Church Arson Task Force released an Interim Report which was featured in the President's radio address. From January 1, 1995 to January 21, 1997, there have been 333 investigations of church arsons, bombings, or attempted bombings. A total of 148 defendants have been arrested in connection with these incidents. On January 24, Assistant Secretary (Enforcement) Johnson briefed Rep. Conyers on the findings of the report. Rep. Conyers was pleased with the briefing and indicated that there would be a follow-up hearing on church fires. Also, on January 23 and 24, Assistant Secretary Johnson met with appropriations staff for Reps. Hoyer and Kolbe, respectively, to brief them on the taskforces findings.

### CONGRESSIONAL ACTIVITY

**Senate Republican Leadership Education Package:** On January 21, the Senate Republican leadership introduced S.1, the Safe and Affordable Schools Act, which includes "education investment accounts" (backloaded IRAs for up to \$1000 of annual contributions per child), a \$2,500 per-year above-the-line deduction for student loan interest, permanent extension of section 127 employer-provided education assistance, tax exemption of work-study awards to children, and tax-free withdrawals from state prepaid tuition programs. The Joint Committee on Taxation (JCT) estimates that the cost would be \$7.1 billion through 2002. No revenue offsets are provided in the bill.

**Senate Republican Leadership Tax Cut Package:** On January 21, the Senate Republican leadership also introduced S.2, the Family Tax Relief Act, which includes the \$500 child tax credit, a 50% capital gains exclusion, estate and gift tax relief, and IRA expansion. The JCT estimate of the cost is \$193.4 billion through 2002. No revenue offsets are provided in the bill.

**Natural Disasters:** On January 22, Deputy Secretary Summers met with Senator Bob Graham to discuss a federal response to the shortage of catastrophic insurance in high-risk communities. Treasury and the NEC are working to formulate an appropriate response to Congressional interest in this issue. On January 23, Treasury and NEC officials met with the representative of a number of large insurance companies which support Rep. Lazios recently introduced bill that would create a federal reinsurance program for state insurance pools. Recently, House Banking Chairman Leach informed Treasury officials that natural disaster insurance is a high priority issue for his committee, and sent Secretary Rubin a letter emphasizing his desire for the Department to participate in his Committees consideration of this issue.

**Function 150 Account Legislative Strategy:** On January 22, Treasury officials will meet with State Department officials to devise a strategy for securing adequate

funding for the Function 150 Account - the appropriations for international financial institutions. Treasury officials have recommended that the strategy include attention to the appropriators and feature joint Cabinet-level opportunities. Recently, Congressional staff have voiced concern that alleviating U.N. arrears will compete with alleviating Multilateral Development Bank arrears.

**New Arrangements to Borrow (NAB):** On January 27, the IMF Executive Board will meet to adopt the draft text of the NAB. In the next few weeks, Secretary Rubin will meet with Reps. Livingston and Callahan to discuss NAB. Shortly after the IMF meeting, Treasury officials will brief Senate Banking Committee and the Senate Foreign Relations Committee staff on NAB.

**Indian School Construction:** On January 17, Treasury officials met with representatives from tribal schools (primary and secondary) from South Dakota who are interested in creating a bonding program for the refurbishing and construction of schools on reservation lands. Senators Johnson and Daschle introduced a bill last session that would create a bonding authority for such purposes. Senator Johnson's staff indicates that the legislation may be reintroduced this session.

**Financial Management Bills:** Three financial management bills were introduced in the first days of the 105th Congress: 1) H.R. 435, which would create more uniform accounting standards to improve federal financial management systems; 2) H.R. 135, which is designed to repeal the mandatory Electronic Funds Transfer (EFT) provisions of the Debt Collection Improvement Act of 1996, as they apply to Social Security recipients; and 3) H.R. 273, which would require each state to implement an Electronic Benefits Transfer (EBT) program prior to the Year 2000. EBT is a system whereby recipients of government benefits are issued plastic debit cards to draw cash from automated teller machines and purchase commodities and services through point-of-sale devices. Treasury is working with other agencies and state governments to implement a nationwide EBT system, a goal of the National Performance Review.

**Geographic Targeting Order Hearing:** The House Banking Committee has advised FinCEN that it has tentative plans to hold a hearing regarding Geographic Targeting Order on February 11 or 13. Witnesses may include Under Secretary (Enforcement) Kelly, and officials from the Office of National Drug Control Policy, N.Y. Police Department, and Justice Department.

### **PRESS ACTIVITY**

**Economic Policy:** On January 16, Deputy Secretary Summers met with Clay Chandler of *The Washington Post* to discuss general economic and budget issues, and he also met with John Judis of *The New Republic* to discuss economic issues in the

second Clinton Administration. On January 17, Deputy Secretary Summers appeared on the "Charlie Rose Show" on *PBS* to discuss the President's economic record and the second Clinton Administration, and he also spoke with Tom Friedman of *The New York Times* on globalization, Europe and Japan.

**Tax Policy:** Treasury officials worked with Mark Shields, a syndicated columnist, as he prepared a column comparing economic predictions of the Presidents 1993 package and economic realities in 1997.

**International:** On January 16, Treasury released letters from Under Secretary Shafer and Secretary Rubin announcing Shafers resignation effective February 1. Under Secretary Shafer spoke with Paul Blustein of *The Washington Post* about his time at Treasury, and achievements in international affairs of the first Clinton term.

**Domestic Finance:** On January 17, Under Secretary Summers and Deputy Assistant Secretary Anderson spoke with Jake Schlesinger of *The Wall Street Journal* on inflation-indexed securities.

On January 21, Secretary Rubin held a press conference announcing the auctions for the new securities, and he also met with the White House economic tong and appeared on CNNs *Moneyline*. Deputy Secretary Summers appeared on CNBCs *Street Signs* to discuss the securities, and he also spoke with Floyd Norris of *The New York Times* on the same subject.

**Enforcement:** On January 23, *The Washington Post* ran a story on the reduction in federal firearms licensees due to the President and Treasury's efforts to crack down on illegitimate gun dealers. On January 17, the interim report of the Church Arson Task Force, which the President highlighted during his weekend radio address, received extensive coverage. Task Force co-chairs Jim Johnson of Treasury and Deval Patrick of Justice briefed the White House press corps with FEMA official Morrie Goodman.

## **SECRETARYS SCHEDULE**

### **The Week in Review:**

#### **Monday, January 20**

Participated in inaugural activities

Dropped by the Democratic Governors Association lunch at the Treasury Department

### **Tuesday, January 21**

Held an economic press conference with the White House reporters

Interviewed by Al Hunt

Held a press conference regarding the pricing of inflation-indexed securities

Interviewed by *Fortune* magazine

Met with Rep. Matsui regarding the Congressional tax agenda

Met with Senator Lautenberg regarding budget issues

Interviewed on *CNN's Moneyline* regarding inflation-indexed securities

### **Wednesday, January 22**

Met with Chairman Greenspan

Interviewed by *Time* magazine

Addressed Treasury's CFC Awards Ceremony

### **Thursday, January 23**

Met with Senator Kohl regarding Treasury appropriations

Hosted a monthly CEO luncheon

### **Friday, January 24**

Met with Treasury's Career Senior Advisory Panel

Met with Senator Lott regarding budget issues

Addressed Treasury's Hammer Awards program

### **The Week Ahead:**

#### **Monday, January 27**

Meet with John Hilley regarding financial modernization proposal

Interview with Mike McNamee of *Business Week* magazine regarding general economic issues

Meet with the Vietnamese Finance Minister Sihn Hung

Meet with Rep. Leach regarding banking and financial modernization issues

Met with US AID Director Atwood

#### **Tuesday, January 28**

Meet with Sir Leon Brittan of the European Union

#### **Wednesday, January 29**

Meet with Rep. Kolbe regarding Treasury appropriations

Meet with Senator Campbell regarding Treasury appropriations

Meet with Rep. Gephardt regarding budget issues

**Thursday, January 30**

Address the MicroCredit Awards Ceremony

Meet with Chairman Greenspan

**Friday, January 31**

No external meetings scheduled at this time

Record Type: Record

To: Cabinet Affairs

cc:

Subject: WR

**MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE**

**FROM:** Robert E. Rubin

**SUBJECT:** Weekly Report for the week of February 3, 1997

**HOT ISSUES**

**Inflation-Indexed Securities  
Auction**

**Balanced Budget Amendment  
MicroCredit Summit  
Presidents Budget  
G-7 Finance Ministers Meeting**

**Airport and Airway Trust  
Fund**

**KEY NEWS**

**Inflation-Indexed Securities:** On January 29, the first auction of inflation-indexed notes was held and widely oversubscribed. With \$35 billion in bids, Treasury sold \$7.3 billion 10-year inflation-indexed notes at 3.449 percent. In the coming weeks, Treasury staff will be briefing the House Ways & Means and Senate Finance Committee staffs, and the marketing presentations will continue.

**Balanced Budget Amendment Testimony:** On February 3, Secretary Rubin will testify before the House Judiciary Committee on the Balanced Budget Amendment. During the week of January 26, he met with Senator Landrieu, Senator Torricelli, Senator Johnson, and Senator Cleland regarding the Balanced Budget Amendment.

**Microcredit:** From February 2 through 4, a Non-Governmental Organization-arranged "Microcredit Summit" will take place in Washington. On February 3, the First Lady is an honorary co-chair and will address to the conference. Secretary Rubin and AID Administrator Atwood will also address the conference that morning. Also on February 3, Secretary Rubin will chair a round table of finance ministers and representatives of multilateral development banks to discuss their perspectives on

microenterprise lending. Other participants will include the Prime Minister of Bangladesh, the Presidents of Mali and Uganda, the Queen of Spain, World Bank President Wolfensohn, members of the U.S. Congress, representatives of UN agencies, bankers, businessmen, and microfinance practitioners from around the world. A total attendance of about 2000 is expected. The purpose of the conference is to share experiences in the area of microenterprise development, and to discuss ways of meeting the Summit's goal of providing microfinance to 100 million of the world's poorest families by the year 2005.

**Presidents Budget:** During this past week and next week, Secretary Rubin is meeting with various Congressional leaders on the budget, including Senator Roth, Minority Leader Gephardt, and Rep. Kasich. Secretary Rubin is scheduled to appear before the Senate Budget Committee on February 10, the House Ways and Means Committee on February 11, and the Senate Finance Committee on February 12.

**G-7 Finance Ministerial:** On February 8, G-7 Finance Ministers and Central Bank Governors will meet in Berlin. In addition to reviewing the global economy, topics will include European Monetary Union, IMF and World Bank issues, and preparations for the June Denver Summit on G-7 efforts to increase the stability of financial markets. Russia will also be discussed, but Russian officials will not be in attendance.

**Airport and Airway Trust Fund:** On February 4, the Senate Finance Committee will hold a hearing on Airport and Airway Trust Fund taxes. Assistant Secretary Lubick will be presenting the views of the Treasury Department on the measures necessary to assure the continued solvency of the fund through this summer. Treasury supports reinstatement of the recently-expired aviation excise taxes in order to keep the fund solvent.

**Buy-out Plans:** The Internal Revenue Service (IRS) received approval of its buy-out plan by OMB and is currently accepting buy-out requests. Approximately 2,200 applications have been received. However, not all of them are expected to be approved. It is too early to provide an accurate estimate of the total number that will be granted, but the buy-outs may lessen the number of involuntary separations planned under the upcoming IRSs Reduction In Workforce. Also, four other Treasury offices and bureaus have plans that are being considered.

**Privatization:** On January 24, the Sallie Mae Board of Directors formally approved the Sallie Mae privatization plan. Sallie Mae management expects the shareholders will vote for privatization at their meeting in May. During this transition, Treasury will continue its oversight of the Sallie Mae.

**Financial Modernization:** On January 27, Secretary Rubin met with House Banking Committee Chairman Leach to discuss Treasury's financial modernization proposal. Chairman Leach stressed his strong support for preserving the current prohibition against combining commerce and banking. On January 27, Secretary Rubin, Deputy Secretary Summers, Under Secretary Hawke and Assistant Secretary Carnell met with John Hilley to discuss the legislative prospects of the financial modernization proposal. Also during the week of January 20, Under Secretary Hawke and Assistant Secretary Carnell met with Senator Paul Sarbanes staff to give them an update on our on-going financial modernization project. Senator Sarbanes staff made clear that they would oppose any financial modernization effort, and also made clear that any provisions to provide a merger of commerce and banking are unacceptable. Treasury staff will continue to resolve the open issues in the financial modernization proposal.

**Under Secretary Shafer:** On January 28, Secretary Rubin awarded Jeffrey Shafer Treasury's highest honor, the Alexander Hamilton Award, for his four years of distinguished service as Assistant Secretary and Under Secretary for International Affairs and for his more than thirty years of public service. Under Secretary Shafer will leave the Treasury on January 31. His work on the Mexican support program, his advocacy for NAFTA and leadership in the creation of the NADBank, and his work for financial services liberalization, stronger links with emerging markets, and reform of the international financial institutions have been critical elements of Treasury's support for the President's international economic agenda.

### **WORK ON PRESIDENTIAL INITIATIVES**

**Collecting Delinquent Child Support:** As part of the implementation of Executive Order 13019, the joint Health and Human Services - Treasury implementation team is contacting each state this week to determine their interest in participating in the offset program. The calls are intended to identify the states that are ready to participate initially and to assess what concerns states may have about participation.

**District of Columbia (DC):** Treasury continues to work with OMB on draft legislation including: 1) language to permit Treasury to provide intermediate term financing of the District's accumulated deficit; 2) provisions establishing a DC economic development corporation, and 3) a new law permitting the IRS to collect personal income taxes for DC residents.

**White House Commission on Aviation and Security:** On January 27 and 28, Under Secretary Kelly and the other members of the White House Commission on Aviation Safety and Security met to discuss final recommendations for improvements in airline and airport operations that affect the safety and security of air travel. It is anticipated that the Commissioners will issue its final recommendations and report in mid-February.

**Federal Firearms Licensing:** Secretary Rubin sent a report to the President on two elements of the Administration strategy to suppress illegal gun availability: 1) strengthening the licensing requirements for Federal Firearms Licensees (FFLs); and 2) increasing law enforcement efforts against gun traffickers. In less than three years, the number of FFLs has fallen by more than half, from 236,500 in 1993 to 124,286 -- a 56% reduction.

**Church Fires:** The Congress of National Black Churches, with the help of private charity, launched a three-year, \$12 million dollar plan to rebuild burned churches and prevent arson. The initiative will be implemented in thirteen southern states where fifty churches will be rebuilt.

**Administration Gang/Gun Legislation:** Treasury and Justice Department staff are meeting to develop of an Administration proposal for gang and gun legislation.

## **CONGRESSIONAL ACTIVITY**

**Speaker Gingrich:** On January 24, Deputy Secretary Summers briefed Speaker Gingrich regarding the upcoming World Economic Forum in Davos, Switzerland which Deputy Secretary Summers will attend and which runs from January 29 through February 2. The Forum brings together public and private leaders for a dialogue on key economic, business, political and social issues. In the context of their discussions, the Speaker raised a number of issues including the Administrations trade agenda, the prospects for fast track authority, and the possibility of a free trade agreement with Europe, which he noted that he supports. Other topics he raised included Africa, possible mechanisms to promote Israeli-Palestinian joint ventures, and the enterprise funds in Eastern Europe. During the discussion, the Speaker made clear that passing our legislative agenda for the MDBs and IMF would be very hard and will require the Administration making it a top priority.

**Crane Paper:** On February 4, Rep. Kennedy will meet with Treasury officials on his concerns about the proposed open bidding for the paper that is used by the Bureau of Engraving and Printing (BEP) to print currency. For over 100 years, the Crane Company of Dalton, MA exclusively has provided the paper to BEP. Many Members of the Massachusetts delegation have written Secretary Rubin about this issue. Deputy Secretary Summers will be calling Senator Kennedy on this matter.

**IMF:** On January 29, Budget Chairman Kasich, Reps. Royce and Andrews and a consortium of consumer advocacy group representatives, including Ralph Nader, held

a press conference at which they attacked corporate welfare programs. Among those programs are the IMF and Enhance Structural Adjustment Facility. Rep. Kasich noted that he would oppose these programs through the appropriations and authorizing committees.

**Function 150 Account:** On January 22, Treasury officials met with State Department officials to devise a strategy for securing adequate funding for the Function 150 Account - the appropriations for international financial institutions. Among other things, Treasury and State Department officials plan to: 1) meet weekly for the next couple of months; 2) make efforts to conduct joint briefings for Members of Congress; 3) coordinate public outreach; and 4) address the issue in conjunction with U.N. arrears.

**New Arrangements to Borrow (NAB):** On January 27, the IMF Executive Board Meeting adopted the draft text of the IMF's NAB initiative. On January 28, Treasury staff briefed Senate Banking Committee staff on the board's approval of NAB.

**Financial Crime:** On Friday, January 31, Treasury staff including FinCEN, IRS, Customs and Secret Service officials will meet with Rep. Velazquez's staff to brief them on financial crimes enforcement. The Congresswoman plans to introduce anti-money laundering legislation this year.

**Anti-Counterfeiting:** On February 13, Treasury staff, including Secret Service and Bureau of Printing and Engraving officials, will brief freshmen Members of the House Banking Committee on anti-counterfeiting measures.

**Budget Scoring:** On January 17, the Joint Committee on Taxation (JCT) held a symposium, *Modeling the Macroeconomic Consequences of Tax Policy*, at which a number of nationally recognized economic modelers presented their results in simulating the economic effects of several major tax reform proposals. The models represented a broad cross-section of the types of models used in government, the private sector, and academia over the past several decades. The JCT's efforts were not intended to quantify the impact of the tax reforms on the economy, but to identify issues important for integrating macroeconomic effects into revenue estimates and differences in modeling approaches on the economic effects predicted by the models. A panel of reviewers, including former CBO Director Robert Reishauer and former Chair of the Council of Economic Advisors Michael Boskin, recognized that the models would need very substantial improvement (perhaps taking many years) and that, in their current form, could at best provide only qualitative information on the likely impact of tax reform on the economy. Most of the modelers and reviewers indicated that the models could not, in their current form, be directly integrated into revenue estimates.

**Roth-Breaux IRA legislation:** On January 22, Senators Roth and Breaux reintroduced a bill to expand tax-deductible contributions to individual retirement accounts (IRAs) and penalty-free withdrawals. The Senate Republican tax cut package, the "American Family Tax Relief Act," includes similar easing of the IRA rules.

**Tax-Exempt Financing for Professional Sports Facilities and Section 501(c)(3) Organizations:** In 1986, Congress amended the tax-exempt bond rules to disallow the use of private activity bond proceeds for professional sports facilities. On January 21, Senator Moynihan reintroduced legislation that would prohibit issuance of public-purpose bonds as well for such facilities. First introduced in the last Congress, Senator Moynihan stated that the measure was designed to stop public funding of "bidding wars among cities" offering an increasing array of incentives to professional sports teams to relocate. This proposal also serves as a revenue offset for a provision that would remove the \$150 million limit on the amount of bonds that Section 501(c)(3) organizations, e.g., private colleges and universities, may have outstanding at any time.

### PRESS ACTIVITY

**Economic Policy:** On January 28, Deputy Secretary Summers spoke with Tom Friedman of *The New York Times* on international economic engagement, and he spoke with Paul Blustein of *The Washington Post* on the IMF's ESAF and NAB being on Rep. Kasich's "corporate welfare" list.

**International:** On January 25, Deputy Secretary Summers spoke with Tom Plate, a columnist for *The Los Angeles Times* on the Japanese economy.

**Domestic Finance:** On January 29, Deputy Secretary Summers spoke to Clay Chandler of *The Washington Post* on the President's education tax credits. On January 23, Under Secretary Hawke met with Ron Brownstein of *The Los Angeles Times* to discuss financial modernization and the Community Reinvestment Act. Treasury staff worked with Greg Zuckerman of *The Wall Street Journal* for a story on foreign ownership of U.S. securities. On January 23, Deputy Secretary Summers did an interview with *The Nightly Business Report*. Also, he spoke with Anne Willette of *USA Today* and with Peter Passell of *The New York Times* on inflation-indexed securities. On January 24, Deputy Secretary Summers spoke to Al Crenshaw of *The Washington Post* regarding inflation-indexed securities. On January 28, Deputy Secretary Summers did a live interview with *CNN Today*.

**Enforcement:** On January 27, Assistant Secretary Johnson was interviewed live on *MSNBC* regarding church arson task force where he highlighted the interim report

submitted to the President earlier this month. Also, Assistant Secretary Johnson taped an interview with *Hearst Broadcasting* on the report and investigation. The story will run on stations in Baltimore, Boston, Dayton, Milwaukee, and Pittsburgh, and on *New England Cable News*. On January 29, Under Secretary Kelly held a press roundtable on the Federal Firearms Licensing report.

### SECRETARYS SCHEDULE

#### The Week in Review:

##### **Monday, January 27**

Interviewed by Mike McNamee of *Business Week* magazine regarding general economic issues

Met with the Vietnamese Finance Minister Hung

Met with Rep. Leach regarding banking and financial modernization issues

Met with USAID Director Atwood

Met with John Hilley regarding financial modernization

##### **Tuesday, January 28**

Met with Sir Leon Brittan of the European Union

Met with Senator Landrieu regarding the balanced budget amendment

##### **Wednesday, January 29**

Met with separately Rep. Kolbe and Senator Campbell regarding Treasury appropriations

Met with Senator Johnson regarding the balanced budget amendment

Met with Rep. Gephardt regarding budget issues

Met with Secretary Albright

Met with Chairman Greenspan

##### **Thursday, January 30**

Participated in a press roundtable with the First Lady and Atwood re Micro Enterprise Awards

Addressed at the MicroEnterprise Awards ceremony.

Met separately with Senator Roth and Rep. Gephardt regarding budget issues

Met with Senator Cleland regarding the balanced budget amendment

##### **Friday, January 31**

No external meetings scheduled at this time

**The Week Ahead:**

**Monday, February 3**

Address the MicroCredit Summit

Chair a roundtable discussion with other Finance Ministers as part of the MicroCredit Summit

Testify before the House Judiciary Committee regarding the Balanced Budget Amendment

**Tuesday, February 4**

Attend the Senate Democratic Caucus Luncheon

Meet with Rep. Archer regarding the Balanced Budget Amendment

Meet with Rep. Kaisch regarding budget issues

Attend a reception of the Treasury Borrowing Advisory Committee

Attend the Presidents State of the Union address

**Wednesday, February 5**

Meet with Gene Sperling and members of the Business Roundtable

Meet with Mr. Ochi, member of the Japanese Diet

**Thursday, February 6**

Meet with Chairman Greenspan

Hold a pre G-7 Finance Ministers meeting press conference

Attend House Democratic Caucus Retreat

Participate in meetings with the Vice President and Russian Prime Minister Chernomyrdin

**Friday, February 7**

Depart for Berlin

**Saturday, February 8**

Attend the G-7 Finance Ministers meeting in Berlin

Record Type: Record

To: Cabinet Affairs, Ronda H. Jackson/WHO/EOP@WHO

cc:

Subject: weekly report

August 6, 1997

**MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE**

**FROM:** Robert E. Rubin

**SUBJECT:** Weekly Report for the week of August 11, 1997

**HOT ISSUES**

Budget/Tax

**KEY NEWS**

**Budget/Tax:** On August 5, Secretary Rubin joined the President, members of Congress, and other Administration officials at the White House bill signing ceremony. In the weeks leading up to the agreement, Treasury's Office of Tax Policy worked to prepare materials to support the tax package and to prepare the language of the agreement. Treasury will continue working to analyze several outstanding issues still under consideration to be subject to the line item veto.

**Mexico:** On August 4-5, Deputy Secretary Summers visited Mexico City to meet with Mexican government officials, political leaders, and business and financial leaders to review progress on economic and enforcement issues. There was widespread agreement that the Mexican economy is performing much better than anticipated, with growth at 5-6%, official unemployment below 4% (down from more than 7% during the crisis), falling inflation, and strong foreign investment. Deputy Secretary Summers also discussed the need to build on recent progress in enacting money laundering laws and regulations.

**Thailand:** On August 6-7, Senior Deputy Assistant Secretary Geithner and Ted Truman of the Federal Reserve Board traveled to Bangkok for consultations with senior Thai government officials to discuss the Thai government's progress in formulating a strong package of economic policy measures that addresses Thailand's recent financial difficulties. Geithner will also be meeting with International Monetary Fund (IMF) officials who are in the process of negotiating the technical details of a program of financial support with the Thai government.

**Bosnia:** On August 6-8, Assistant Secretary Lipton accompanied Special Representative Gelbard and former Assistant Secretary of State Holbrooke to Serbia, Croatia, and Bosnia to meet with (newly inaugurated) Yugoslavia President Milosevic, President Tudjman in Croatia and senior officials in Bosnia. The delegation will seek to reinvigorate implementation of the Dayton peace accords, including the need for continued economic reform as well as the need for

Dayton compliance with respect to IFI and bilateral financial support.

**G-7:** On August 5, Treasury officials met with representatives from the Federal Reserve, OCC, SEC, FDIC, and the CFTC to launch the follow-up to the Denver Summit initiative to promote financial stability in the international financial system. Representatives of the regulatory agencies described their proposed contributions for the Birmingham Summit, including their efforts to reach agreements with other countries on principles of financial supervision and on enhanced cooperation among national regulators. Treasury is chairing a G-7 financial working group which will prepare the report from Finance Ministers to Heads of State and Government as called for in the communique.

**Electronic Funds Transfer (EFT) '99:** On August 21, Treasury plans to publish a proposed regulation that will outline the implementation of EFT'99, the Congressional mandate to make all federal payments (except tax refunds) electronically by January 1, 1999. This will affect millions of people who receive payments from the federal government, including Social Security and Veterans benefit recipients. Senior Treasury and SSA officials finalized an insert that will be mailed to Social Security and other benefit recipients with their checks to inform them of what they can do to prepare for the implementation of EFT'99, and in the next few weeks, an interagency team led by Treasury will brief senior Treasury and SSA officials on the public education campaign for EFT'99.

**Commemorative Coins:** On July 30, Secretary Rubin met with Rep. Castle, Chairman of the House Banking Domestic and International Monetary Policy Subcommittee, to inform Chairman Castle of his decision regarding the 50 State Commemorative Circulating Quarter program. Secretary Rubin stated that if the Secretary of the Treasury is directed to institute such a program by Congressional mandate, the Treasury Department will not oppose such legislation. On July 31, Secretary Rubin also sent a letter to Rep. Castle outlining his decision. It is likely that this mandate will come in the form of an amendment to the Treasury appropriations bill.

**Sallie Mae:** On July 31, Sallie Mae shareholders approved privatization plans and replaced the existing management with a dissident board of directors. Reorganization is expected to be completed during the week of August 11, at which time Sallie Mae will become a subsidiary of a private holding company. The privatization of Sallie Mae will generate substantial revenues, currently valued at around \$48 million, that will be channeled through the D.C. Control Board to the D.C. public school system. Treasury is charged with enhanced oversight of Sallie Mae during this transition.

**Meeting with Hispanic Leaders:** On August 6, Secretary Rubin and other Treasury officials met with the Coalition of National Hispanic Organizations on Appointments to discuss a variety of issues in which they have an interest, including Hispanic representation within Treasury. Secretary Rubin and the groups' leaders pledged to continue a dialogue on issues of importance to these groups.

## WORK ON PRESIDENTIAL INITIATIVES

**District of Columbia:** Treasury officials are working with D.C. officials to explain the package of tax incentives passed in the budget bill. The Economic Development Corporation, which was omitted from the final budget legislation, would have performed functions that are vital to the city's economic vitality over the longer term. Treasury is working to explore whether some of the critical functions that would have been performed by the Economic Development Corporation might be performed by existing or new entities.

**Child Care:** In preparation for an October conference on child care, Treasury officials continue to participate in the DPC-led policy discussions. These discussions are focused on increasing affordability through tax and subsidy programs; encouraging increased quality through incentives; and addressing problems that low-income families face with respect to the absence of sufficient after school care or activities for school-age children.

**Home Mortgage Disclosure Act:** On August 4, the Federal Financial Institutions Examination Council released 1996 data collected under the Home Mortgage Disclosure Act. The report was somewhat mixed. Taken together, government-backed and conventional home purchase lending to all racial and ethnic groups increased from 1995, and from 1993 to 1996, government-backed and conventional home purchase lending has increased 55.6 percent for Hispanics, 52.5 percent for African-Americans, 26.6 percent for Native Americans, 15.3 percent for Asians, and 14.0 percent for Whites. Conventional (private sector) home purchase lending to African-Americans actually declined by 1.5 percent, and denial rates by private lenders continue to run higher for certain racial groups, such as African-Americans and Hispanics, than for whites.

## CONGRESSIONAL ACTIVITY

**ATM Fees:** On July 29, the Senate Banking Committee held a hearing on ATM networks and the associated service charges. Treasury has not yet taken an official position on proposals aimed to limit the fees banks can charge for ATM services.

**Mark-to-Market:** The final budget legislation did not include the tax portion of Treasury's mark-to-market proposal, designed to restructure a portion of HUD's Section 8 housing portfolio. A version of Senator Mack's proposal--negotiated by HUD and the staff to Senators D'Amato and Sarbanes--has been included in the Senate HUD appropriations bill. This version of the bill comes a long way toward Administration positions in key areas. The House has not shared the Senate's enthusiasm for this bill, so its prospects are uncertain. We are considering two remaining options: encouraging the House and Senate to agree on legislation along the lines of the Mack proposal, recognizing that we would likely have to revisit the tax issue next year; or essentially giving up this year in the hope that an effort next year would prove more successful.

**Treasury FY'98 Appropriations:** Treasury's appropriations bill, as it was reported out of the House Appropriations Committee, includes the Murtha Amendment, which would allow surplus U.S. military weapons to reenter the country and would ease restrictions on importing weapons that are over 50 years old or that are connected to an historical event. Law enforcement officials are concerned that many of these guns could be easily converted into automatic weapons. Treasury is working with members of Congress to try to defeat this amendment in the House.

**International Financial Services:** Secretary Rubin, Ambassador Barshefsky, and CEOs from several major corporations are scheduled to testify before the Senate Banking Committee on international financial services on September 10. Majority staff have asked that we include a short discussion on the NAB as part of Secretary Rubin's testimony, instead of having a separate NAB hearing or a joint NAB/International Financial Services hearing.

**Africa:** On July 31, the Senate Agriculture Committee held a hearing on economic growth in Africa. Deputy Secretary Summers testified on the President's initiative and the legislation introduced by Senator Lugar, which is identical to the Crane/Rangel/McDermott bill in the House. Senators Lugar, Grassley and Leahy agreed that the nature of the U.S.-Africa relationship needs to change, and they appreciated the emphasis Deputy Secretary Summers placed on the importance of including the IFIs in the initiative and of funding them adequately.

### PRESS ACTIVITY

**Economic Policy:** On August 10, Secretary Rubin is scheduled to appear on *ABC's "This Week"* to discuss the budget agreement and other issues. On August 4, Secretary Rubin met with Kathy Kiely of *The New York Daily News* for an article that will focus on the budget agreement and his role in the negotiations. On July 31, Secretary Rubin spoke with Rich Miller, *Reuters*, on the recent budget agreement and the Administration's upcoming legislative agenda. On July 28, Deputy Secretary Summers spoke to *Washington Post* reporter John Berry on economic growth and employment issues.

On August 4, Deputy Secretary Summers spoke to the American Chamber of Commerce in Mexico City on general economic issues and US-Mexican enforcement cooperation, and held a press breakfast in Mexico City on August 5 with reporters representing the following publications: *New York Times*, *Washington Post*, *Wall Street Journal*, *Los Angeles Times*, *Chicago Tribune*, *Boston Globe*, *Journal of Commerce*, *TIME*, *Newsweek*, *Business Week*, *Associated Press*, *Dow Jones*, *Reuters*, *Bloomberg*, *Dallas Morning News*, *Houston Chronicle*, *San Antonio Express* and *the Economist*.

**Tax Policy:** During the week of August 4, Treasury officials spoke with a number of reporters to clarify provisions in the tax agreement. On August 5, Acting Assistant Secretary Lubick spoke with *Business Week* reporter Mike McNamee on independent contractor provisions in the tax bill. On July 30, Deputy Assistant Secretary Scholz spoke with *Boston Globe* reporter Aaron

Zitner on the individual alternative minimum tax and capital gains, with David Wessel of *The Wall Street Journal* and Floyd Norris of *The New York Times* on capital gains, and with Clay Chandler of *The Washington Post* about the earned income tax credit.

On August 1, Tax Legislative Counsel Talisman spoke to Floyd Norris of *The New York Times* about constructive sales rules and capital gains provisions on homes sales, with Mike McNamee of *Business Week* on independent contractor provisions of the tax bill, and with *TIME Magazine* reporter Jon Dickerson on provisions in the tax bill. On August 4, Talisman also spoke with Rob Wells of *The Associated Press* on home sale provisions in the tax agreement.

**International:** On July 31, Deputy Secretary Summers spoke to *New York Times* reporter David Sanger on the Southeast Asian economic situation for a "Week in Review" piece which appeared on August 3 and with *Washington Post* reporter Paul Blustein on Thailand on July 28. Deputy Assistant Secretary Zelikow spoke with Janet Guttman of *Reuters* on August 1 regarding the IMF's announcement to halt lending to Kenya.

On August 1, Treasury released the 35 communities eligible for loans through the U.S. Community Adjustment and Investment Program (CAIP). Deputy Assistant Secretary Thompson spoke with reporters from the following news organizations to discuss the CAIP program: *The Associated Press*; *Syracuse Post Standard* (NY); *Blytheville Courier News* (AR); *The Charlotte Observer* (NC); *Register Pajaronian* (Watsonville, CA); *El Paso Times* (TX). On August 5, Thompson also spoke with Nancy Yoshihara, editorial writer with the *LA Times* and *CNN Business News* on the CAIP program.

**Domestic Finance:** On August 1, Treasury released Secretary Rubin's letter to Rep. Castle regarding the proposed 50 state circulating commemorative coin program. The release of the letter generated numerous national press stories including *AP*, *The New York Times*, *Wall Street Journal*, *The Washington Post*, *LA Times*, as well as extensive local coverage. Treasurer Withrow appeared on *NBC's Today Show* on July 30 to discuss currency redesign, U.S. currency and coins. She also "dropped a penny" into circulation in New York City the same day which was covered by the local media, FOX, and CNN.

Also on August 1, Deputy Assistant Secretary Anderson spoke with *BridgeNews*, *The Bond Buyer*, *Wall Street Newsletter*, and *Dow Jones* about the recent developments in futures legislation and government securities. On August 4, Under Secretary Hawke spoke with Dean Anason of the *American Banker* for a profile on Deputy Assistant Secretary Hammond and the Department's implementation of EFT '99.

**Enforcement:** On July 30, Under Secretary Kelly spoke to John Mintz of the *Washington Post* regarding an amendment to the Treasury appropriations bill that would allow surplus U.S. military weapons to reenter the country, and on August 4 *The Washington Post* ran an editorial supportive of the Administration's position opposing the amendment. Also on August 4, Under Secretary Kelly taped an interview with *Voice of America* on international firearms trafficking,

and on August 5 he spoke to *Newsday* reporters Gaylord Shaw and Knut Royce for lengthy stories on the Youth Crime Gun Interdiction Initiative and Mexican money laundering. On July 31, Under Secretary Kelly taped an interview with Andrea Mitchell of *NBC News* on the gun amendment, and on August 1, Office of Foreign Asset Control Director Newcomb spoke to Lee Katz of *USA Today* about seized assets of Hamas and the Islamic Jihad.

**IRS:** On August 2, General Counsel Knight addressed the American Bar Association's Tax Section in San Francisco, California on the Administration's views on IRS reform. Treasury distributed his speech to the local press in California as well as to the Washington tax press. On July 31, the White House announced the President's intent to nominate Charles Rossotti as IRS Commissioner.

## SECRETARY'S SCHEDULE

### The Week in Review:

#### **Monday, August 4**

Joined the President at a Climate Change meeting with CEOs  
Interviewed by Kathy Kiely of *The New York Daily News*  
Interviewed by Clay Chandler of *The Washington Post*  
Met with Felix Rohatyn -new U.S. Ambassador to France

#### **Tuesday, August 5**

Joined the President at the White House budget bill signing ceremony

#### **Wednesday, August 6**

Interviewed by Bill Nichols of *USA Today*  
Met with the Coalition on Hispanic Appointments

#### **Thursday, August 7**

Attended NEC Principals Meeting on Japan Economic Policy

#### **Friday, August 8**

Had breakfast with Greenspan  
Held a working lunch with Secretary Albright

## **The Week Ahead**

### **Monday, August 11**

Meet with Ambassador Negroponte

### **Tuesday, August 12**

No external events at this time

### **Wednesday, August 13**

No external events at this time

### **Thursday, August 14**

No external events at this time

### **Friday, August 15**

No external events at this time

MEMORANDUM FOR STEVE SILVERMAN

FROM: Howard M. Schloss  
Assistant Secretary (Public Affairs)

SUBJECT: Amplification Report

DATE: October 1, 1997

**I. FAST TRACK & INTERNATIONAL TRADE**

Secretary Rubin traveled to Seattle, Hong Kong, Xian and Beijing, September 17-26. The following reporters traveled with the Secretary and had extensive coverage of his events and speeches: David Sanger, *New York Times*; David Wessel, *Wall Street Journal*; Rich Miller, *USA Today*; Mike McKee, *Bloomberg*; Blaire Pethel, *Bridge News*; Will Pesek, *AP Dow Jones*; Knut Engelman, *Reuters* and Greg Robb, *AFP*. Last weeks amplification report mentioned Secretary Rubins September 18 speech on Fast Track to the National Center for APEC in Seattle.

On September 24, Secretary Rubin spoke before the students and faculty of Peoples University in Beijing. This event was open to the press and was covered by the traveling Treasury press and major international papers.

On September 25, Secretary Rubin attended the U.S.- China JEC and held a post JEC press conference. The press conference was covered by the traveling Treasury press and major international news services.

On September 28, the *New York Times* ran an extensive travel journal by David Sanger of Secretary Rubins entire trip. The article highlighted the Secretarys emphasis on the importance of international trade negotiations.

On September 30, Secretary Rubin attended the Closing Lunch for the 1997 Dodd Seminar, hosted by Senator Dodd. The Secretary discussed the importance of Fast Track Trade Authority. Secretary Rubins remarks were covered by *Reuters*, *Bridge News*, *Bloomberg*, *Market News*, *AFX*, *the Congress Daily*, *MSNBC*, *Reuters Television*, and the Connecticut papers.

On October 6, Secretary Rubin is scheduled to be on *NPRs, Talk of the Nation* with host Ray Suarez. The program is one hour and will include both an interview and questions from callers. The Secretary will discuss Fast Track and other top Administration priorities.

On October 10, Secretary Rubin is scheduled to attend a *Washington Post* Editorial Board lunch led by David Ignatius. This editorial board will focus on current economic issues and Fast Track in relation to his recent trip to China.

## **II. ENFORCEMENT**

On September 24, Under Secretary for Enforcement Kelly spoke at a press conference to announce that a Mexican narcotics trafficker has been added to the FBI's most wanted list. Stories ran in the *New York Times*, *Dallas Morning News* and *Los Angeles Times*.

On September 24, Under Secretary Kelly met with Rocky Kistner and Lowell Bergman of *PBS* for a 20-minute background interview on a possible *Frontline* piece on Mexico, drugs, and cartels. If the piece runs, it is scheduled to air next year.

On September 24, Under Secretary for Enforcement Kelly spoke before the European Institute Transatlantic Seminar on legislative and regulatory responses to international crime and terrorism.

On October 1, Charlie the bomb-sniffing ATF dog appeared on *Good Morning America*.

## **III. EDUCATION**

Later this week, the *Chicago Tribune* is planning to run a 3-part series on effects of the 1997 Taxpayer Relief Act. The stories will focus on capital gains, kids and education, and retirement planning. Karl Scholz, Deputy Assistant for Tax Policy will speak to the reporter on background. The Treasury Department is working with the NEC on this series.

Next week, Secretary Rubin is tentatively scheduled to sign a Memorandum of Understanding with Wilson High School in support of their Business and Finance

Academy. Deputy Secretary Summers is tentatively scheduled to meet with past and present Treasury Department interns at Eastern High School and Under Secretary for Enforcement Kelly will meet with students at Anacostia High School.

#### **IV. IRS & TAX POLICY**

At the beginning of last week, all major newspapers ran stories previewing the IRS abuse hearings.

On September 23, the Treasury Department released a letter from Secretary Rubin to Senators Roth and Moynihan about improvements for the IRS. This letter was quoted in numerous stories throughout the week.

On September 23, 24, and 25, *CNN* carried some parts of the IRS hearings live, as did *CSPAN*, *ABC*, *NBC*, and *CBS*.

On September 24, the IRS issued a statement of apology from Acting IRS Commissioner Dolan.

Also on September 24, Deputy Secretary Summers interviewed with the *Washington Post*, the *Wall Street Journal*, and the *Associated Press* about the hearings.

On September 25, *USA Today* ran an editorial by Secretary Rubin outlining the Administrations proposals for IRS reform.

On September 26, Deputy Secretary Summers interviewed with *USA Today* and *Newsweek* and spoke about the Treasury Departments position on IRS reform. On September 26, Mike Dolan, acting commissioner of the IRS was on the *Today Show* to discuss what steps the IRS is taking to prevent future abuses. On September 26, the Treasury Department released a letter from Deputy Secretary Summers to Acting IRS Commissioner Dolan.

Also on September 26, the *New York Times* ran an editorial supporting the Administrations work on IRS reform and opposing the private sector board.

On September 28, *Meet the Press*, *This Week*, *Face the Nation* and *Fox News Sunday* all had guests on to discuss the hearings.

On September 29, *Newsweek* ran a story and *U.S. News & World Report* ran a

commentary saying that Congress should share the blame for problems at the IRS.

On September 30, Secretary Rubin, Deputy Secretary Summers, and Acting Commissioner of the IRS Dolan held a press conference to announce National Problem Solving Days. It was covered by all major papers, wires reporters, and the television networks.

On September 23, *Money Matters*, a nationally syndicated radio program, interviewed Deputy Assistant Secretary for Tax Policy, Karl Scholz on the impact of the Taxpayer Relief Act on families.

## **V. DOMESTIC FINANCE**

On September 25, Under Secretary for Domestic Finance Hawke testified before the House Banking Committee on Electronic Funds Transfer 99. On September 30, the Treasury Department announced the first public hearing on the new Electronic Funds Transfer 99

(EFT 99.) The public comment period on EFT 99 will last 76 days and include public hearings in Dallas, Baltimore, and New York City.

Also on September 25, Benefits Tax Counsel Iwry testified before the House Committee on Ways and Means Subcommittee on Health on Implementation of the Health Insurance Portability and Accountability Act. The hearing was covered by health care trade press.

On September 25, Under Secretary Hawke was interviewed by Ann Smith of *U.S. News & World Report* about the need to modernize financial services.

On September 25, Under Secretary Hawke was interviewed by Vineeta Anand of *Pensions and Investment* about the soon to be official Memorandum of Understanding between the D.C. Control Board and the Department of the Treasury concerning plans for Treasury to take over the D.C. Retirement System. The Under Secretary was on the record as an Administration official who explained that this week's signing is completely procedural as mandated by Congress.

September 26, Under Secretary Hawke was interviewed by Diane Freda of *Barnert Insurance Report* on the Department's financial modernization proposal.

On September 26, Treasury announced the 12 new cities that have been named eligible for NADBank loans. This was released regionally in coordination with both the Small Business Administration and the U.S. Department of Agriculture. The story was covered by papers in the affected regions.

The *Washington Post*, the *Washington Times*, and the *Associated Press* ran stories last week on an error in some of the newly printed \$50 notes. On September 30, a Treasury press release announced October 27, as the issue date for new \$50 notes. The launch event with U.S. Treasurer Mary Ellen Withrow will be held in New York City.

On September 30, the Treasury Department announced awards totaling over \$54 million in Community Development Funds. The Community Development Financial Institutions (CDFI) Fund awarded 48 community organizations a total of \$38.3 million in financial and technical assistance in the second round of CDFI programs. The Funds Bank Enterprise program awarded \$16.9 million to 55 insured depository institutions.

Record Type: Record

To: Cabinet Affairs, Ronda H. Jackson/WHO/EOP@EOP

cc:

Subject: weekly report, amplification report

## **MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE**

**FROM:** Robert E. Rubin

**SUBJECT:** Weekly Report for the week of October 6, 1997

### **HOT ISSUES**

IRS

### **KEY NEWS**

**IRS:** On September 30, Secretary Rubin, Deputy Secretary Summers, and Acting IRS Commissioner Dolan held a press conference to announce steps that Treasury and the IRS will take in the wake of the Senate Finance Committee hearings on IRS abuses. Secretary Rubin announced that beginning November 15, the IRS will hold monthly Problem Resolution Days in all 33 district offices to resolve taxpayer complaints. Treasury and IRS have begun a review of other ways to resolve legitimate complaints, including working with volunteer tax practitioners to resolve old cases, establishing training for IRS managers and compliance staff on professionalism, changing the way that IRS evaluates field offices, and disciplining employees in egregious cases. On October 8, Secretary Rubin will meet with the House Democratic Caucus to discuss IRS reform. The IRS also issued its draft Request for Proposals for systems modernization on October 1.

**Community Development Financial Institutions (CDFI) Fund:** On September 30, the CDFI Fund announced the second round of CDFI awards and Bank Enterprise Awards (BEA) totaling over \$54 million in community development funds. Forty-eight community organizations will receive \$38.3 million in financial and technical assistance through the CDFI Fund, and 55 insured depository institutions will receive \$16.9 million in incentive grants through the BEA Program. The CDFI Fund was created to expand the availability of credit, investment, capital, and financial services in distressed urban and rural communities. The VA, HUD conference report filed on

September 30 includes \$80 million of funding for the CDFI program

**NADBank:** On September 25, Treasury announced that businesses in twelve new communities are eligible for loans or loan guarantees through the Community Adjustment and Investment Program (CAIP). In all, the Finance Committee of the NADBank has designated 47 communities in 23 states as eligible for the program, which was established to help communities that have experienced job losses related to NAFTA. This program targets businesses that are seeking to create jobs but lack access to private sector lending. On October 2, the Finance Committee will hold its next meeting to review applications for SBA guaranteed loans to three businesses in El Paso, TX.

**Sallie Mae:** On October 6, the District of Columbia is scheduled to receive \$5 million from the sale of the "Sallie Mae" name as an installment from Sallie Maes privatization. This sale is the result of the Administrations 1996 privatization legislation, which requires that the proceeds are channeled through the D.C. Control Board to the D.C. public school system. The remittance follows the transfer of approximately \$36.5 million to the D.C. public school system from the sale of Sallie Mae stock on September 4, and completes the transfer of privatization-related monies, totaling \$41.5 million, from Sallie Mae to the D.C. public school system.

**Currency Redesign:** On September 29, Treasury and the Federal Reserve announced that the new \$50 bill will be issued on October 27. Officials from the Federal Reserve and The Lighthouse, Inc, a non-profit group that focuses on issues for the visually impaired, will join Treasurer Withrow at a ceremony in New York to commemorate the release of the note. The new design includes features to assist the visually impaired in identifying the bill and additional security features to protect against counterfeiting. On October 1, BEP Director Rolufs testified before the House Banking Domestic and International Monetary Policy Subcommittee on the printing problems of the new \$50 bills. On September 30, representatives from Treasury and the Federal Reserve met to discuss the new \$20 note, scheduled to be issued next summer.

**Government Performance and Results Act (GPRA):** On September 30, Treasury forwarded the Department-wide strategic plan and seventeen supporting strategic plans from the bureaus and program offices to Congress. The plans were developed in compliance with the Government Performance and Results Act, and will be used to guide Departmental operations through FY 2002. Each plan describes the components mission, goals and objectives, strategies to achieve those goals and objectives, and an identification of key external factors that may impact achievement. Several Congressional committees and other stakeholders were consulted throughout the development of the plans.

**Community Reinvestment Act (CRA):** On September 30, the Federal Financial Institutions Examination Council, which represents the five main regulators of federally insured financial institutions, released an analysis which showed that low-income areas are receiving a proportionate share of small business loans. According to the report, the distribution of small business loans generally follows the distribution of population, though community development advocates were critical of the study. The study was required by 1995 revisions in the CRA.

### **WORK ON PRESIDENTIAL INITIATIVES**

**District of Columbia:** On September 30, Treasury submitted execution copies of the memorandum of understanding among the District of Columbia, the D.C. Retirement Board and the Treasury for the interim operations of the D.C. pension plans. Under the proposed legislation, Treasury will take over the investment, payment of benefits, and eligibility determination for the Districts three pension plans. The interim administration by the DC government will continue until Treasury has appointed a trustee to assume the responsibilities.

On September 29, the District announced that it will repay its outstanding Treasury obligations of \$232 million on October 1, notwithstanding the delay in the appropriation of a federal contribution to the District. On September 29, the District successfully issued \$350 million of Tax Revenue Anticipation Notes (TRANs) and part of the proceeds from the sale will be used to repay the Treasury. Separately, it is possible that if there is not an agreement on the federal contribution, the District may seek a short-term cash flow loan from the Treasury at the end of October.

**Climate Change:** On October 6, Deputy Secretary Summers will join the President and Vice President at a Climate Change Conference at the White House. Treasury continues to participate in the interagency process to prepare for the conference by evaluating proposed targets and timetables, the role of technology in reducing emissions, grandfathering-type permit allocation mechanisms, and command-and-control approaches to emissions reductions.

**Tobacco:** Treasury continues to work on issues related to the proposed tobacco settlement, including the FTC's recent analysis of the potential price effects of a settlement and examining the role of marketing and advertising restrictions in affecting youth smoking.

**Child Care:** Treasury officials participated in a meeting of the child care interagency group on September 24 to discuss the difficulties of reaching more families through an expansion of the child and dependent care tax credit. There was a general consensus that direct subsidies, through an HHS program, would be more effective

than the tax credit.

**Combating Fraud, Waste, and Abuse:** On September 22, in Philadelphia, PA, John Bennett, Jr. , founder of the New Era Philanthropy, was sentenced to 12 years in prison based on his no contest plea to 82 counts of money laundering and tax fraud. The IRS Criminal Investigation Division played a key role in his conviction on money laundering and tax fraud.

### CONGRESSIONAL ACTIVITY

**IRS Hearings:** On September 23-25, the Senate Finance Committee held hearings on alleged IRS abuses with testimony from a Congressional panel, a panel of taxpayers, and former and current IRS employees. On September 25, Acting Commissioner Dolan testified that changes are being made at the IRS in performance measures and other enforcement areas to discourage the behavior described during the hearing. Secretary Rubin, Deputy Secretary Summers, and other Treasury officials continue working to inform Members of Congress of the Administrations IRS proposal. On September 26, the Ways and Means Oversight Subcommittee also held a hearing on IRS restructuring. Acting Commissioner Dolan testified, along with Acting Assistant Secretary Lubick and other IRS officials.

**Line-Item Veto:** Treasury staff have been holding consultations with Congressional staff and industry representatives and have reached a compromise on two of the vetoed tax provisions from the Taxpayer Relief Act of 1997. During the week of September 22, the Ways and Means Committee reported out legislation reflecting this agreement.

**Fast Track:** Treasury continues participating in the interagency effort to reach out to Members on the Administrations Fast Track proposal. The Senate Finance Committee marked up and reported out Chairman Roths draft on October 1.

**Appropriations:** On September 30, the House passed the Treasury, Postal conference report by a vote of 220-207. On October 1, the Senate also approved the conference report by a vote of 55-45, and the bill now awaits the Presidents signature. The VA, HUD conference report includes \$80 million of funding for the CDFI program. There is the possibility that OMB may seek further adjustments to some of the funding levels in the bill, and the report still faces final votes in both chambers.

**EFT 99:** On September 25, Under Secretary Hawke, industry representatives, and consumer interest groups testified on EFT before the House Banking Committee. Treasury continues working to brief Members of Congress following the announcement of Treasurys proposed rule for implementation of EFT99, the

Congressional mandate to make all federal payments (except tax refunds) electronically by January 1, 1999. Chairman Leach has expressed concern about a system for the unbanked and urged Treasury to speed up the creation of the Electronic Transfer Account (ETA). We have now entered a 90-day comment period during which we expect to receive feedback on the proposed rule from interested parties.

**Pennsylvania Avenue:** On October 1, Secretary Rubin sent a letter to the Chairman and Ranking Member of the District of Columbias Appropriations Subcommittee, outlining Treasurys objections to a provision that would re-open the Avenue to vehicular traffic. We are working with Subcommittee staff to delete this provision once this bill gets to conference.

**Commemorative Quarters:** On September 23, the House passed Chairman Castles commemorative quarter program bill, and Sen. Chafee has introduced identical legislation in the Senate. During the House floor debate, Rep. Norton expressed concern that the bill did not include coins to commemorate D.C., Guam, American Samoa, Puerto Rico and the U.S. Virgin Islands. Chairman Castle responded that he would work with her, the delegates from the insular territories, and the Treasury Department to draft separate legislation that would extend this program to these areas. The bill does not include a provision to redesign the Susan B. Anthony dollar. Chairman Castle will introduce separate legislation to replace the suffragette with a depiction of Lady Liberty, without calling for the elimination of the dollar bill.

### **PRESS ACTIVITY**

**Tax Policy/IRS:** The Senate Finance Committee hearings on IRS abuses were broadcast by C-SPAN and covered widely by all major press. On September 23, all major newspapers ran stories previewing the IRS abuse hearings. On September 30, Secretary Rubin, Deputy Secretary Summers, and Acting IRS Commissioner Dolan held a press conference, which was covered by all major papers, the wires and the networks, to discuss the steps that the Administration has taken and will take to improve the IRS and its relationship with taxpayers.

On September 26, Acting IRS Commissioner Dolan was on the *Today Show* to discuss the steps the IRS is taking to prevent future abuses. On September 24, Deputy Secretary Summers interviewed with the *Washington Post*, the *Wall Street Journal*, and the *Associated Press* on improvements at the IRS and on September 26 met with *USA Today* and *Newsweek* on the topic. On September 26, the *New York Times* ran an op-ed supporting the Administrations work on IRS reform and *U.S. News & World Report* ran a commentary that Congress should share the blame for problems at the IRS. On September 25, *USA Today* ran an op-ed by Secretary Rubin outlining the Administrations proposals for improvements at the IRS.

On October 1, the *Chicago Tribune* is planning to run a 3-part series on effects of the 1997 Taxpayer Relief Act. The stories will focus on capital gains, kids & education, and retirement planning. On September 23, *Money Matters*, a nationally syndicated radio program, interviewed Deputy Assistant Secretary Scholz on the impact of the Taxpayer Relief Act on Families.

**International:** Secretary Rubin traveled to Seattle, Hong Kong, and China (Xian and Beijing), September 17-26. The following reporters traveled with the Secretary and had extensive coverage of his events and speeches: David Sanger, *New York Times*; David Wessel, *Wall Street Journal*; Rich Miller, *USA Today*; Mike McKee, *Bloomberg*; Blaire Pethel, *Bridge News*; Will Pesek, *AP Dow Jones*; Knut Engelman, *Reuters* and Greg Robb, *AFP*. There was an extensive travel journal of the entire trip by David Sanger of the *New York Times* that ran on September 28.

On October 10, Secretary Rubin is scheduled to attend a *Washington Post* Editorial Board lunch led by David Ignatius. This editorial board will focus on current economic issues, the IRS, and an evaluation of the Secretary's trip to Hong Kong, Xian, and Beijing.

**Domestic Finance:** On September 25, Under Secretary Hawke was interviewed by *U.S. News & World Report* about the need to modernize financial services, and later met with *Pensions and Investment* about the Memorandum of Understanding between the D.C. Control Board and the Department of the Treasury on the D.C. Retirement System.

On September 29, Treasury announced October 27 as the issue date for new \$50 notes. U.S. Treasurer Withrow will launch the new bill at an event in New York City, and will then travel to Cincinnati, Chicago, Miami and San Diego in the days following for other roll-out events. During the week of September 22, *The Washington Times*, *The Washington Post*, and *The Associated Press* ran stories on the printing problems of the new \$50 notes. On September 30, Mint Director Philip Diehl did an interview with the *New York Times* on the new platinum bullion coins.

**Enforcement:** On September 24, Under Secretary Kelly spoke at a press conference to place a Mexican narcotics trafficker on the FBI most wanted list. Stories ran in *The New York Times*, *The Dallas Morning News* and *The Los Angeles Times*. On September 26, Under Secretary Kelly spoke with the *New York Times* about a recent Customs case involving child pornography on the Internet.

### SECRETARYS SCHEDULE

## **The Week In Review**

### **Monday, September 29**

Met with members of the Presidents Export Council

### **Tuesday, September 30**

Addressed luncheon hosted by Sen. Dodd for a group of his constituents

Held press conference on IRS reform

Interviewed on CNN

### **Wednesday, October 1**

No external meetings

### **Thursday, October 2**

Met with Sen. Breaux to discuss IRS reform

### **Friday, October 3**

No external meetings

## **The Week Ahead**

### **Monday, October 6**

Will be interviewed on Talk of the Nation, National Public Radio

Will address the Bond Market Trade Associations Public Service Awards Annual

Dinner in New York City

### **Tuesday, October 7**

Will meet with Sen. Roth on IRS reform

### **Wednesday, October 8**

Will meet with House Democratic Caucus on IRS reform

### **Thursday, October 9**

No external meetings

### **Friday, October 10**

Will meet with Washington Post Editorial Board